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1999

ANNUAL

REPORT



**DUNDEE
BANCORP INC.**

CORPORATE PROFILE

SERVING OUR SHAREHOLDERS, OUR CLIENTS AND THE COMMUNITY AT LARGE

Dundee Bancorp Inc. is a merchant banking and financial service holding company. Its domestic financial service activities are carried out through our 85%-owned subsidiary, Dundee Wealth Management. Dundee Wealth owns 100% of Dynamic Mutual Funds Ltd. and 100% of Dundee Securities Corporation and its sister companies Dundee Private Investors Inc. and Dundee Insurance Agency Ltd.

Dundee operates with several different but disciplined investment styles, always stressing the importance of anticipating, and responding to, new global investment patterns. We espouse a working environment characterized by creativity, lateral thinking, a unique collegial atmosphere and long-term loyalty commitments with key personnel.

Management's objective is to achieve outstanding long-term growth in per share value. To meet this objective, we strive to manage our own business well and to invest, on behalf of others and for our own corporate portfolio, in growing businesses which can earn above-average returns on investment capital.

Dundee has an ongoing commitment to support charities and community organizations throughout Canada. Every year on a consolidated basis we contribute one per cent of our pre-tax profit to The Dynamic Fund Foundation, the first charitable foundation ever established by a Canadian mutual fund group. The Foundation then relies on locally-based financial advisors for guidance in selecting deserving causes. Last fiscal year, The Dynamic Fund Foundation contributed almost \$530,000 to over 256 charities across Canada. In addition to donations made directly by the Foundation, we actively encourage our employees to support their favourite charities by matching their contributions. In 1999, employee contributions to charities of their choice amounted to \$102,000.

DUNDEE BANCORP INC. REPORT TO SHAREHOLDERS

As we enter the new millennium and reflect back on the final year of the twentieth century, we have to say it was clearly an event-filled and overall positive year for our company. Dundee Bancorp Inc. has been in existence since October 1991 and we have grown dramatically over the past nine years. However, during the last twelve months we have actually achieved the platform that positions us for even greater growth. Before we discuss the new platform, let me highlight some of the events of 1999 as compared to 1998.

- Our consolidated revenues from operations increased from \$174.0 million to \$227.4 million.
- Our consolidated earnings from operations, prior to non recurring items increased from \$30.3 million to \$39.9 million.
- Our third party assets under management increased from \$5.9 billion to \$6.6 billion.
- Our domestic assets under administration increased from \$7.7 billion to \$13.7 billion.
- Our consolidated book value increased from \$484.0 million to \$519.4 million notwithstanding the repurchase and cancellation of 766,080 shares at a cost of \$14.60 per share.

The positive results above are a direct reflection of the repositioning of the Company and acquisitions related thereto, which our management was able to complete during 1999.

During the year, we created a new company, Dundee Wealth Management Inc. This company now holds our interests in Dynamic Mutual Funds Ltd., Dundee Securities Corporation, Dundee Private Investors Inc. and Dundee Insurance Agency Ltd. In August, Dundee Wealth acquired Infinity Funds Management and over 350 first class financial advisors and planners. In December, Dundee Wealth acquired Peelbrooke Capital Inc. and was subsequently listed on The Toronto Stock Exchange. Dundee Wealth, through its operating subsidiaries, now offers the financial services formerly provided by subsidiaries of Dundee Bancorp. Dundee Bancorp owns 85% of Dundee Wealth.

The acquisition of Deacon Capital Corporation in December 1998 and the growth of Dundee Securities and Dundee Private Investors in 1999 have created a very fast growing investment banking and asset gathering concern with almost 400 financial advisors and financial planners administering close to \$7 billion of client assets through over 100 offices across Canada.

During 1999, Dynamic Mutual Funds corrected a mistake made during 1997 and reverted back to its forty-two-year-old mutual fund name – Dynamic – dropping Dundee Mutual Funds. Our branding of Dynamic is now more clearly understood.

Infinity Mutual Funds have become Dynamic Infinity Mutual Funds and have rolled into the Dynamic and Dynamic Power family of funds completing our repositioning into three styles of investing. During 1999, Dynamic changed from being solely a value investor. Dynamic now offers growth investing, value investing and focus investing. This dramatic shift to the “three styles, one goal -- Dynamic Performance” repositions Dynamic so that clients can diversify as to style as well as industry and geography. Dynamic is the only Canadian mutual fund manufacturer to offer the three style concept.

Our Dynamic organization has also, during 1999, created the first broadly-offered “unbundled” mutual fund wrap -- Viscount Wealth Management. Viscount, which offers a diversity of investment managers and investment styles, was only recently launched and is achieving early acceptance.

Overall, the investment performance of Goodman & Company, Investment Counsel, the investment counsel division of Dynamic, has improved dramatically as a direct result of actions taken in the last half of 1998. The value team has dramatically outperformed both the Russell and Barra indices by considerable margins. The growth Dynamic Power group has “blown the lights out” with top performance. In addition, Dynamic is beginning to see positive results from the focus Dynamic Infinity team.

Dynamic Venture Opportunities Fund had an exciting year. Dynamic first began managing this fund in 1996 after it had experienced significant performance difficulties during the previous two years. During the three years under Dynamic management, it has been the top performer in the venture category over one, two and three year periods.

During 1999, Dynamic rejoined the Investment Funds Institute of Canada (IFIC) in recognition of our long time support of the independent brokers and financial planners who sell mutual funds. Dynamic quit the industry lobby group during 1998 in order to highlight the domination of the organization by the large Canadian banking community. We look for IFIC to be a better representative of the smaller independent members and we will work towards that end. Both Dynamic and IFIC will miss the quiet-voiced efforts of Terence Buie, the former President of Dynamic and a hard working director of IFIC. Terence, after returning from a sabbatical/vacation, decided to leave the mutual fund industry for a new career. We wish him success.

The investment performance of Dynamic Mutual Funds in 1999 has been exceptional. The diversification of three investment styles – value, growth and focus through Dynamic, Dynamic Power and Dynamic Infinity Funds – sets the stage to once again achieve positive gains in assets through net sales. We are fortunate that Dynamic's superb investment performance and the Infinity acquisition has allowed Dynamic to end the year with over \$6.1 billion in mutual fund assets under management, almost equalling its peak year. The year ended with more than 60% of Dynamic core funds delivering first quartile performance when compared to like competitive funds.

All of the 1999 performance numbers from core value and growth products are exceptional. Clearly all of the people that were installed and processes that were implemented just over a year ago are bearing substantial fruit. We are fortunate today to enjoy at Goodman & Company, Investment Counsel one of the best disciplined investment management teams in the world. The objective is not only to deliver great products and services that we believe will answer the customers needs – but to deliver the financial products that our customers really want, when they want them.

Dundee Securities, our investment banking and brokerage unit, was expanded during the past year from an institutional boutique to a full service integrated investment dealer offering advice to institutions, corporations and individuals. Dundee Securities and Dundee Private Investors have over 700 employees, including almost 400 financial advisors. Private Investors Management took on the Dundee name and increased its roster of 40 financial planners to over 200. Dundee Insurance Agency Ltd. is a newly created business positioned to provide insurance brokerage to the 232 (and growing) insurance licensed financial advisors within the Dundee Wealth Management organization.

The objective of the distribution side of Dundee Wealth Management is to provide the finest independent advisory services and products to its clients while always acting with integrity and due diligence. It is fully recognized that the easy part of financial advice has, to some degree, been commoditized and Dundee Wealth is investing in the capability to provide more sophisticated advice to those clients whose portfolios require higher degrees of complexity. We are fortunate to have acquired from various sources, a group of professional financial advisors who have been exceptionally trained to understand the sophisticated parts of estate planning, financial planning and investment management. The premier challenge as we go forward will be to allow the available digital and internet technology to be utilized in a mode such that the excellent personal contact and relationships that are the hallmark of our independent financial advisors are best utilized to the benefit of their clients. We are working on that aspect with haste.

Goodman Private Wealth Management, an indirect Dundee Wealth division, has continued to grow, managing over 100 high net worth client accounts with aggregated assets of approximately \$300 million.

Our Dundee Bancorp corporate portfolio has increased in market value and at year end exceeded its book cost by \$25 million. As we have always maintained, a "snap-shot" of the market values within our corporate portfolio does not give its true worth, as many of our holdings are more valuable control positions, the value of which is not reflected in the stock market. We have experienced a tremendous market rebound in the value of the corporate portfolio which at December 31, 1999 had a value of approximately \$545 million and at the end of 1998 was worth \$385 million. During the year we completed the sale of our position in BCE Emergis Inc., a company in which we were a founder, achieving an overall profit of \$30 million over our adjusted book value. We have initiated a program of gradually repositioning the future use of Dundee Bancorp corporate assets for merchant banking activities and financing acquisitions or internal growth initiatives in the wealth management arena.

As an example, our 33%-owned Zemex Corporation, while continuing its strong earnings performance, has announced an arrangement with Banc of America Securities to review ways to maximize shareholder value. As a first step, Zemex has sold its metal powders division at significantly higher than its carrying book cost. Zemex continues to review its options for the other facets of its business. Zemex is a leading producer of industrial minerals, specialty materials and, through its Alumitech division, reprocessed aluminum drosses with patented zero discharge technology. Zemex currently has facilities across the United States and Canada. Its products are used in a variety of industrial and commercial applications and are sold throughout North America and Europe. Dundee Bancorp holds approximately 3.0 million shares of Zemex. The market value of this position at December 31, 1998 was \$28.2 million and presently is \$36.5 million.

Our position in Micro Tempus was valued at \$1.4 million at December 31, 1998. Micro Tempus became SureFire Commerce as the company reorganized to become a B2B web enabling company under new management. Sales and profits are growing daily and we anticipate even greater gains in the future. Our 8.7 million shares have a market value of approximately \$61 million at the time of writing.

When we created Dundee Realty in 1996, our objective was to build one of Canada's largest, best-managed, corporate holders of mid-sized commercial real estate properties. We have achieved our objective. Today, Dundee Realty has a real estate portfolio of 12.5 million square feet concentrated in attractive, well located office buildings, as well as suburban industrial and flex space across Canada.

After three years of rapid expansion that saw its asset base grow to over \$1 billion, Dundee Realty used 1999 to fine-tune its portfolio and operations with positive results. Even with the disposition of over 700,000 square feet of non-core assets, cash flow from operations increased 11% to \$41.6 million while maintaining an impressive 94% average occupancy rate. Dundee Realty has assembled a group of very bright people who work effectively together to implement the corporate strategy of building value.

Dundee Bancorp owns 52.3 million shares of Dundee Realty, which represents a 30% interest. During May 1999, we participated, together with Dundee Realty, in an issuer bid/take-over bid to acquire a total of 10.8 million shares of Dundee Realty at \$1.40 per share. A valuation prepared by Newcrest Capital for that offer indicated that the net asset value for Dundee Realty shares was \$2.23 per share.

During 1999, we took a venture capital position for our corporate portfolio in a private European company known as IAXIS BV. The cost of our investment is \$10.5 million and we own approximately 5% of the company.

IAXIS is a facilities-based provider of bandwidth capacity and related services to telecommunications carriers and other wholesale providers of telecommunications services in Europe. This new class of European telecom provider is thriving, enjoying the massive demand for bandwidth because of the increase in traffic for cross-border complex data transmission. Their 7,200 km fibre network currently links many major cities in six countries in the European Economic Community.

Our analysis indicates that European data services, which now represent 70% of new revenues, are expected to continue to grow at an annual rate of at least 30% over the next five or six years. Capabilities in Europe are still underdeveloped and demand is expected to outstrip supply by a wide margin for several years.

With an experienced management team, as well as the backing of strong operational and financial partners, we are confident that IAXIS will achieve a "liquidity event" before the end of the year. The company has already achieved strong sales performance by signing long term contracts with an increasing number of strategic partners.

Dimethaid Research Inc. has developed a unique site-specific transdermal carrier that is able to effectively deliver drugs without the serious adverse effects associated with systemic drug delivery. The company has used this technology in their proprietary Pennsaid Lotion developed for the treatment of osteoarthritis pain. Dimethaid is presently working with Johnson & Johnson, through its subsidiary McNeil Consumer Healthcare, on a US distribution agreement and is negotiating in other markets, including Europe, for global distribution.

Dundee Bancorp has been an investor in Dimethaid for some years and increased its investment when the company was listed on The Toronto Stock Exchange. Our investment is significant and we have board representation. Our 3.4 million shares of Dimethaid had a market value of \$8.8 million at December 31, 1998 and currently have a value of \$30 million.

Black Hawk Mining is a junior gold miner with its operations in Nicaragua producing at a rate of approximately 80,000 ounces per annum. Black Hawk is presently undergoing a restructuring and needs to grow or merge to be an attractive investment. On an interim basis, we have allowed our Vice Chairman, Garth MacRae, to become the Chief Executive Officer. Dundee Bancorp owns 26.2 million shares of Black Hawk representing a 19% interest which had a market value at December 31, 1998 of \$4.7 million and \$2.5 million at the present time.

Eurogas Corporation maintains its important 50% interest in the proven Yaro Yakinsk oil and gas field in Russia and recently announced an early production plan on this major resource with funding provided by a Russian partner. This field which is close to, and will have access to, a major pipeline contains in excess of 3.5 trillion cubic feet of natural gas and valuable associated condensate liquids.

In addition, Eurogas continues its assessment of the feasibility of using the depleted Amposta oil reservoir off the coast of Spain as a gas storage facility and has prepared its Tunisian oil exploration lands for drilling sometime in 2000.

Dundee Bancorp owns 33.8 million shares of Eurogas representing a 45% interest. The market value of the Eurogas shares at December 31, 1998 was \$5.8 million and currently stands at \$16 million. In addition, Dundee Bancorp also holds a convertible debenture for \$8 million convertible at \$1.50 per share.

Breakwater Resources Ltd. is now an established global producer of lead, zinc and silver. During 1999, as zinc prices strengthened, Breakwater experienced a significant turnaround. For the year ended December 31, 1999, Breakwater earned \$22.5 million or \$0.29 a share, compared with a loss of \$53.9 million in 1998.

On March 15, 2000, Breakwater announced an agreement to purchase the Bouchard-Hebert and Langlois zinc/copper mines from Cambior Inc. These acquisitions will add significantly to Breakwater's metal production capacity and will be accretive to both earnings and cash flow per share.

Dundee Bancorp has supported the transition of Breakwater from a single mine operating in Honduras to a significant six mine company with annual production of 550 million pounds of zinc, 18 million pounds of copper, 27 million pounds of lead, 30,000 ounces of gold and 2.5 million ounces of silver.

Dundee Bancorp owns 26.9 million shares of Breakwater representing a 33% interest. The market value of this position was \$23.6 million at December 31, 1998 and presently is \$76.6 million.

Four years ago we told you in these pages that we had extended our mutual fund franchise to India. We started with a small development office in New Delhi with an objective to essentially mirror our investment management and mutual fund operations then existent in Canada. We stated then that this was a long term project and that we did not anticipate early profitability. We were correct in our assessment, but I am pleased to report that after many delays we have made considerable progress during 1999.

Dundee India currently has three fixed income funds which were launched during 1999 and have assets under management of approximately \$45 million. We are in the process of launching two more funds and have plans for at least two others during the year 2000, including an equity fund.

From two people, when first discussed, our Delhi manpower has increased to 36 people operating out of six offices. We currently distribute through 900 distributors, up from 200 in August 1999, and expect to have access to 2,000 financial product distributors by March 2001.

Dundee India is currently incurring cash losses approximating \$200,000 per quarter and does not expect to break even until the assets under management reach \$200 million. Our investment to date is approximately \$6 million of which 50% is being used as seed capital in our own mutual funds. Dundee India remains indirectly 75%-owned by Dundee Bancorp.

During 1999, we repurchased a total of 766,080 shares of Dundee Bancorp at an average price of \$14.60 per share. We have now repurchased 8.4 million shares since the inception of the Company at an average price of \$13.54 per share.

All of the above, for the most part, is good news. One has to wonder why through all of this hard work, sweat and effort by our management team, our shareholders haven't been rewarded by experiencing a higher stock price.

Much has been said of the difficulty of understanding Dundee Bancorp because it is more than an investment manager, more than an investment dealer, more than an investment banker and more than a financial service holding company. The so-called complexity of our structure is what purportedly is keeping our stock price down. But it remains our contention that it is easy to understand Dundee Bancorp and to become comfortable about its valuation and growth potential.

We have a very simple business model. We are significant owners of Dundee Wealth Management. That company's restructured investment managers employ three different investment styles in a disciplined manner. They know that good performance every day leads to good weeks, months, years and to happy clients. Happy clients will bring us more assets under management, higher earnings and happy shareholders. We have the keys to good performance – a team of good people who provide stability, using proprietary investment models and a disciplined investment process.

Our recently built Dundee Wealth distribution and investment banking business is designed to attract assets under management and administration, providing leverage to our existing infrastructure platform. We intend to more fully serve our existing clients, while attracting new clients, and to augment our team of professional advisors. The leverage existent on our platform has unbelievable potential for margin expansion and increased net earnings.

Our corporate portfolio and merchant banking positions if we now include the ownership of Dundee Wealth Management preferred and common shares, plus cash (net of debt), has a "snap-shot" market value of approximately \$850 million. We are totally committed to the financial service industry and are awaiting the proposed revisions to the Canadian Bank Act in anticipation of forming a bank. In the interim, we have made application to the regulatory authorities to form a trust company so that we can even sooner be in a position to offer banking services to our clients.

As a stock market security analyst since 1962, my challenge has always been to identify value at an earlier stage than the vast majority of other investors. My quest has been to buy stocks of companies when they are undervalued. Over the years, there have been many instances when the benchmarks of traditional indicators have undergone change, sometimes dramatically. Never before in the last 38 years have the traditional benchmarks of a security analyst become so unreliable.

I have always been at the forefront in arguing against the efficient market theocrats who claim that investors have no need for valuation tools because shares are always priced efficiently by the auction process of the stock market. The preponderance of regulatory disclosures and information means, they say, that there is never a discrepancy between the price of a company's shares and fundamental or intrinsic values. The popular thrust of index funds usage has been highlighted by some as almost testimony to this theory being correct. However, the additional downfall of the efficient market theory is that it never seems to provide a suitable explanation as to how the so-called efficiently priced shares manage to get either undervalued or so overpriced that they subsequently underperform or outperform for considerable periods of time. This failure of traditional valuation benchmarks is what caused us to undergo the major reorganization of the investment management process and the offering of three investment styles in the Dynamic Mutual Funds side of Dundee Wealth Management.

All of the above is by way of background to my taking a bold step for our annual report and attempting on these pages to provide some security analyst rationale about the value of Dundee Bancorp and why the stock price should not continue to languish in the \$14 to \$15 per share range.

Aside from the obvious response of new economy versus old economy stocks, Dundee Bancorp and its subsidiary Dundee Wealth Management shares are essentially securities which are not followed by the Canadian investment community. We have gone to some effort to attempt to determine why this situation exists and can relate some of the following observations made by both the buy side and the sell side analytical community:

- We are not "simple to understand."
- We have gone through a "restructuring of our investment style" and there is concern about our ability to make it work.
- We have repositioned our Dundee Wealth Management company to expand from the pure manufacturing side of the capital markets and participate in the investment distribution and investment banking process. There is a concern amongst some investors that this repositioning has not yet proven to be creditable.

- We have no need for capital and there is therefore no corporate finance requirement for us to be followed by the research departments of mostly bank-owned investment dealers.
- Our 1997 investment performance has not been up to par and we have been facing net redemptions.
- We have significant interests in companies that are not understood by the analysts studying financial services.
- Our shares have a differential voting structure.
- We don't fit pre-prepared analyst "computer spreadsheet templates".

Some of these questions have already been answered. We have simplified the structure. Through our 85%-owned subsidiary, Dundee Wealth Management, we are focused on financial services, the advice channel of wealth management in particular. Our Goodman & Company investment team is first class and is today delivering first class performance and increasing assets under management. Dynamic's net mutual fund sales position is dramatically improving and Goodman's private client business is growing. Our advice channel operates on a total professional model and delivers more sales per advisor than most in the industry. Our business model is tried and true, having been developed on a global basis by many successful financial institutions. While we think that any security analyst worthy of the title should be capable of adjusting their template, it really is no longer necessary because of the simplified structure.

As to the comment about voting structure, it comes with full protection for minority shareholders, and similar structures have not stopped other companies from achieving their true value in the market place, nor did it stop our stock from achieving a market price of \$43 per share in 1997.

We are often asked what we think our company is worth. What is the intrinsic value or replacement value of Dundee Bancorp? What better message for the Annual Report to address.

As part of the completion of our formation of Dundee Wealth Management and its acquisition of Peelbrooke Capital, it was necessary for regulatory purposes to provide an independent third party valuation of the shares of Dundee Wealth Management as well as Dundee Bancorp.

Accordingly, a major Canadian investment dealer was engaged to provide an independent valuation of the shares of all three companies to the Special Committee of the Peelbrooke Board of Directors. The valuation opinion was completed on November 8, 1999.

The opinion was prepared using valuation techniques that were considered appropriate. The methodology employed required the development of long range financial projections which, by necessity, reflected numerous assumptions regarding the impact of general economic and industry conditions on the future financial results. As the CEO of the Company and a long time security analyst, I think that the methodology was professional and the arrived-at range of values for Dundee Wealth Management and Dundee Bancorp, while conservative, is acceptable. In any instance, the actual report is reprinted in its entirety on page 55 in this annual report and you can make your own assessment.

In reaching its conclusions, the report contained the following:

1. The entire range of values for the shares of Dundee Wealth Management, using as the high value the “discounted cash flow analysis” and as the low value “comparable companies trading analysis”, is from a high of \$12.51 per share to a low of \$7.50 per share. The report preferred the range of \$9.17 to \$7.50 per share which is the calculated “comparable companies trading analysis” as of November 8, 1999.
2. When the range of \$9.17 to \$7.50 per Dundee Wealth Management share is added to the Dundee Bancorp merchant banking portfolio and preferred shares Dundee Bancorp owns of Dundee Wealth, and the result is netted against capitalized overheads, debt (net of cash) and minority interest, the report arrives at a range of net asset value for each Dundee Bancorp share of \$31.19 per share to \$28.42 per share.

The merchant banking portfolio, excluding Dundee Wealth Management, was valued at November 5, 1999 at \$462 million. At year end 1999 the value of the portfolio was \$545 million. The “snap shot” market values of our merchant banking and corporate portfolio do not reflect their intrinsic or strategic values that could be attained for many of our holdings. Just to refer back to our discussion about Dundee Realty as only one example -- we own 52.3 million shares of Dundee Realty which, on November 8, 1999, for purposes of the independent valuation, were valued at \$1.23 per share. At December 31, 1999, the fully diluted book value per share was \$2.79. The previously mentioned Newcrest valuation concluded that the net asset value earlier in 1999 was \$2.23 per share. That extra \$1.00 per share of value for Dundee Realty would equate to an extra \$2.00 per share of Dundee Bancorp.

If we can come to the realization that intrinsic value or asset value is usually used as a description of that valuation necessary to replace an asset, it is easy to conclude that the assessment of Dundee Bancorp's shares by the auction stock market is indeed considerably below its replacement value. Dundee Bancorp's stock definitely qualifies as a value stock.

While the foregoing is an excellent example of the way a "value" investor would look at our company, how would a "growth" investor regard us?

Our industry is growing and if you look at the projections in the report on page 55 you can see that we expect that our repositioned platform would allow us to grow significantly faster than the industry both in revenues and cash flow. The opportunities for growth include new product initiatives, better sales as a result of performance and a larger base of service representatives. We have yet to gain the synergies and margin opportunities in leveraging the fixed costs of our newly created distribution system over a wider base. International growth opportunities, such as Dundee India, could eventually dwarf our Canadian mutual funds initiative and are not even included in the projections.

We understand that companies are only awarded growth multiples on earnings, cash flow and EBITDA, after they have shown the ability to consistently deliver growth year after year. Shareholders should be aware that everyone at all levels of our organization is striving to once again attain the full momentum of our growth and cost efficiencies. Consistency and timing will be the keys to Dundee achieving a growth company status. We are committed to realizing this potential and to be deserving of much higher valuation levels as a result.

How would a buy and hold "focus" investor look at our company?

The Warren Buffett buy and hold "focus" style is particularly suited to describing Dundee Bancorp's investment characteristics. It certainly describes my family's philosophy towards our large investment in the shares of Dundee Bancorp.

There are many elements that Buffett's style uses to assess the suitability of an investment. They include such things as management, opportunity, branding and the existence of durable resources or assets which can achieve a sustainable competitive advantage for the business. The Goodman & Company focus group looks for companies that create wealth by being excellent businesses which are not always efficiently measured by stock market day-to-day "snap-shot" prices. Mr. Buffett believes that proper investing is to look for and find "opportunities before others do". Dundee Bancorp is an overlooked opportunity which combines the traditional value investing characteristics with sustainable resources and significant growth opportunities.

Our largest equity shareholder, who likewise espouses the Warren Buffett philosophy, describes all of their investments, including Dundee Bancorp, as businesses that:

- they understand completely;
- have honest and competent management;
- possess a long-term competitive advantage;
- operate in industries with strong long-term economic fundamentals; and
- can be purchased at an attractive price.

(extracted from AIC Group of Funds 1999 Year in Review)

Through the “repositioning” of Dundee Wealth Management, we have strengthened our position as a mutual fund and financial product manufacturer, investment product distributor, private client manager and capital markets facilitator. Dundee Wealth will succeed, in spite of significant competition, because its broad-product offering is backed by a talented management team and superb investment professionals. Dundee Bancorp has the opportunity, resources and talent to support continued growth in shareholder value. Using all three styles of investment, value, growth and long-term focus, our Dundee Bancorp company looks interesting.

Conclusion

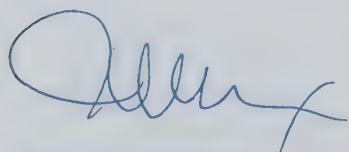
We begin the new century totally focused on the financial service business and how we can help to provide the customers and clients of our subsidiaries and divisions with timely advice, products and services. The wealth management industry continues to offer solid growth prospects with attractive risk-adjusted profitability. The industry in Canada should be capable of maintaining a long-term growth rate of 15% per annum and our objective is to exceed that rate of growth. Our platform at Dundee Wealth Management has been repositioned such that we are poised to move forward to higher and higher levels of revenues and profits.

We are confident about our business model and we have a stable and experienced management team. Our strategies for future growth are clearly defined and we know them to be achievable. In the very short term we have met or exceeded our most ambitious business objectives and we know where we want to go in the long term.

We have achieved our objective of repositioning the Company while fully maintaining our corporate and financial strength. Our management team is proud of our success and should be congratulated. We have been remiss (and I take full responsibility) in our inability to gain proper recognition by investors such that we could provide a stock market reward for our shareholders. We know that our quest to getting everything done right, while trying to adapt to the daily circumstances of change, has taken its toll. Nevertheless, we intend to keep pushing the ceiling, always being aware of the risks of action as compared to the risks of inaction.

We started Dundee Bancorp in October 1991 with a stock price of around \$2 per share and an intrinsic value of around \$6 or \$7 per share. During the years to date, we have increased the intrinsic value to over \$30 per share and our stock price has been as high as \$43 per share. Once again, we are trading at a deep discount to our intrinsic value just at a time when our fortunes are truly turning for the better.

On behalf of our board of directors, our management and our total team of 1,100 employees and representatives, I want to thank all of our shareholders for their patience.



Ned Goodman,

Chairman, President & Chief Executive Officer

April 11, 2000

DUNDEE BANCORP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

Dundee Bancorp Inc. ("Dundee Bancorp" or the "Company") is a financial service company that, through its subsidiary, Dundee Wealth Management Inc. ("Dundee Wealth"), provides a broad range of financial products and services to individuals, institutions and corporations. Dundee Bancorp provides financial services internationally from Bermuda, Cayman Islands and India. Dundee Bancorp also manages its own investment portfolio.

During 1999, the Company entered into various transactions with its subsidiary, Dundee Wealth, pursuant to which Dundee Bancorp's Canadian financial services and investment management subsidiaries were reorganized as subsidiaries of Dundee Wealth.

On August 30, 1999, Dundee Wealth completed an acquisition whereby it acquired a large base of assets under administration by purchasing the client accounts and related goodwill of certain investment advisors. As part of the acquisition, the broker or dealer registrations of the investment advisors, as well as their client accounts, were transferred to either Dundee Securities Corporation ("Dundee Securities") or Dundee Private Investors Inc. ("Dundee Private Investors"), significantly expanding the company's network of qualified investment professionals. The Company's income includes the operating results from this asset acquisition from August 30, 1999, the effective date of the transaction.

Simultaneously, Dundee Wealth acquired 100% of the shares of Infinity Funds Management Inc. ("Infinity"), a private mutual fund manager with assets under management of \$840 million. Infinity's operating results have been included in the Company's income since August 30, 1999.

Late in 1999, Dundee Bancorp, along with its subsidiary, Dundee Wealth, completed the acquisition of 100% of the common shares of Peelbrooke Capital Inc. ("Peelbrooke"). The operating results of Peelbrooke are not included in the operating results of the Company as the acquisition was completed at the end of the year.

The Company earns management fee revenue from the management of fiduciary assets, which provides the Company with on going fees calculated as a percentage of the current market value of the assets managed. Growth in management fee revenue results directly from an increase in assets under management. Increases in fiduciary assets are dependent on the Company's ability to acquire additional assets under management and on improved market prices of underlying investments. Management fee revenue also varies based on the asset mix of the assets managed. The Company may earn performance fees on certain assets under management when the investment performance of these assets exceeds the applicable benchmarks.

In addition, the Company earns revenue from redemption fees. Investors are subject to such fees when they purchase mutual fund units on a deferred sales charge basis and then redeem these units prior to completing six years of ownership. Redemption fees are normally calculated as a percentage of the value of the units redeemed (except units of Dynamic Infinity Mutual Funds purchased prior to December 15, 1999, for which redemption fees are calculated based on a percentage of the purchase amount) and start at 6% declining to zero after six years. In the case where redemption fees paid by mutual fund investors are in respect of units financed by third parties, the redemption fees are paid directly to such third party and are therefore not included in the Company's revenues.

Financial services revenue is earned principally by Dundee Securities and Dundee Private Investors. These subsidiaries generate commission revenue and related trailer revenue from their institutional and retail client asset base. The retail sales group earns commission revenue and trailer revenue through active administration of their clients' assets. Commissions earned by the institutional sales group are a function of the size and number of trades executed. The investment banking division of Dundee Securities generates corporate finance revenue from participation in equity financings and by providing financial advisory services, including mergers and acquisitions advice and valuations and fairness opinions, in a variety of industry sectors.

The Company incurs certain expenses that can be attributed directly to obtaining and retaining assets under management. These expenses include commissions paid on sales of mutual funds sold on a deferred sales charge basis as well as on going trailer fees paid to third party brokers and dealers. As a result of the acquisition of the Dynamic Infinity Mutual Funds, the Company pays distribution fees to other entities that funded commission expenditures on previous sales of the Dynamic Infinity Mutual Funds. Distribution fees paid by the Company are included with other selling, general and administrative expenses.

Investment advisors are paid compensation calculated as a percentage of commission revenue or trailer revenue earned by the Company. These compensation costs are included in selling, general and administrative costs and will vary directly with any change in revenue.

Revenue is also derived from the Company's investment portfolio. This revenue includes net realized gains on sales of investments as well as dividend and interest income. The Company's investment portfolio includes certain investments that are accounted for using the equity method. The equity method of accounting is generally required if the Company is able to significantly influence the investee companies. Application of this method results in the Company recognizing its proportionate interest in the operating results of the underlying investment. The Company may make provisions for investments that, in the opinion of management, have an other than temporary decrease in value. However, unrealized holding gains or losses generated in the portfolio during the year are not recorded in the operating results of the Company; therefore, reported earnings are only a partial measure of results in any given year.

<p>RESULTS OF OPERATIONS YEAR ENDED DECEMBER 31, 1999 compared to DECEMBER 31, 1998</p>

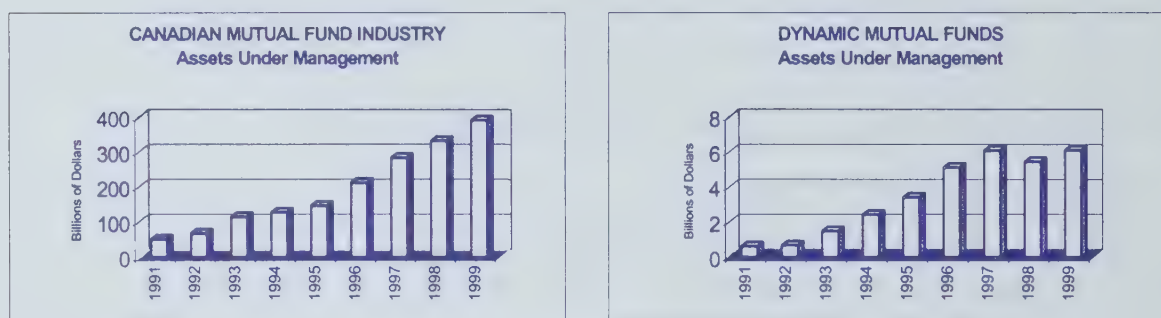
Net income for the year ended December 31, 1999, after accounting for a non recurring expenditure of \$9,936,000, was \$12,091,000 compared with \$14,102,000 in 1998 after accounting for a non recurring expenditure of \$5,813,000. Basic earnings per share for the year ended December 31, 1999 was \$0.46 compared with \$0.51 for the year ended December 31, 1998.

REVENUES

MANAGEMENT AND ADMINISTRATION FEES

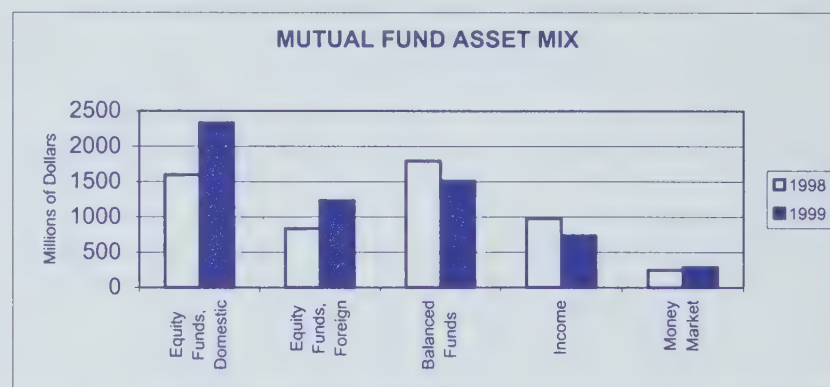
Mutual Funds

The Canadian mutual fund industry grew 17% during 1999. Total assets under management, as reported by The Investment Funds Institute of Canada, were \$390 billion at the end of December 1999. During the same period, Dynamic Mutual Funds' assets under management increased from \$5,457 million at the end of 1998 to \$6,107 million at the end of December 1999, a 12% increase for the year. This asset growth is comprised of \$859 million from the acquisition of Dynamic Infinity Mutual Funds and \$637 million of retained market appreciation offset by net redemptions of \$846 million.



Mutual fund management fee revenue, excluding performance fees, was \$96.4 million in 1999 on average assets under management of \$5.4 billion. This represents an average base management fee of approximately 1.77% of assets under management. Average assets under management during 1998 were \$5.9 billion paying an average base management fee of approximately 1.78% of assets under management for an aggregate base management fee revenue of \$105.3 million.

Management fees range from 0.5% to 0.75% on money market funds, from 0.65% to 2.00% on income funds, and from 1.25% to 2.25% on equity and balanced funds. The proportion of assets in each asset class affects the total management fees earned by the Company.



The Company earned \$6.7 million in performance fees during 1999 as a result of outperforming the applicable benchmarks in several of the Dynamic Mutual Funds which have a performance fee component. There were no significant performance fees earned in fiscal 1998.

Dynamic Venture Opportunities Fund Ltd.

Management fees earned from Dynamic Venture Opportunities Fund Ltd. ("DVOF"), a labour sponsored investment fund, increased 28% from \$373,000 in 1998 to \$476,000 in 1999. During 1999, DVOF was the top performing Canadian labour sponsored fund. The performance achieved by DVOF has resulted in the Company earning an additional \$1.5 million in performance fees. At the end of 1999, the net asset value of DVOF was \$25.3 million compared to \$13.5 million at the end of 1998.

Goodman Private Wealth Management

Goodman Private Wealth Management, a division of Dynamic Mutual Funds Ltd., provides comprehensive professional investment management for high net worth individuals. Management fees increased to \$0.95 million in 1999 from \$0.27 million in 1998. At the end of 1999, assets managed by the Goodman Private Wealth Management division totalled \$266 million.

During 1998, the Company withdrew from offering segregated pension fund investment management. Therefore, pension and institutional and private wealth assets under management decreased from \$337 million at the end of 1998 to \$266 million at the end of 1999. Goodman Private Wealth Management now administers all remaining pension and institutional assets.

Management Fees from Other Assets under Management

The Company earned \$2.2 million from the management of various other fiduciary assets. This compares with \$3.8 million for the twelve months ended December 31, 1998.

Third Party Assets under Management

Total third party assets under management as at December 31 is summarized in the chart below:

(In millions of dollars)

		December 31, 1999	December 31, 1998
Dynamic Mutual Funds	\$	6,107	\$ 5,457
Pension, Institutional and Private Wealth		266	337
Labour Sponsored Fund		25	14
Other		206	130
Total Assets	\$	6,604	\$ 5,938

Administrative Revenue

During 1999, the Company earned administrative revenue of \$2.4 million (1998 - \$3.1 million) from the Leeds group. The Leeds group provides administrative services for mutual funds, hedge funds and other investment clients. In addition, the Leeds group provides accounting, administration, registrar and transfer agency, corporate secretarial and other services relating to the management of offshore companies.

REDEMPTION REVENUE

The Company has funded certain of the commissions on sales of mutual fund units sold on a deferred sales charge basis. If a mutual fund unitholder redeems these funds within a specific term, the unitholder will pay a redemption fee to the Company. These redemption fees are recognized as income on the settlement date of a mutual fund redemption. Total redemption fees received during 1999 were \$24.7 million (1998 - \$24.3 million).

FINANCIAL SERVICES

Commission and Trailer Revenues

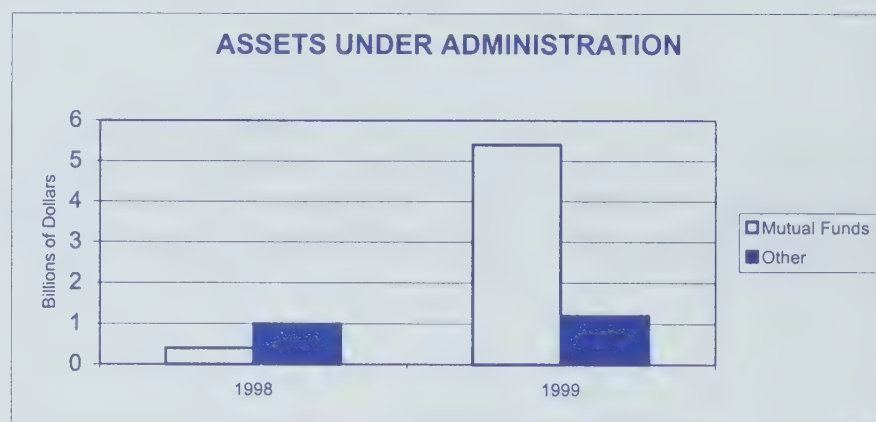
Commission and trailer revenues earned in 1999 were \$39.1 million (1998 - \$3.0 million). A substantial portion of this increase can be attributed to the increase in the number of investment advisors at Dundee Securities and Dundee Private Investors pursuant to the acquisition of client accounts and related goodwill completed in August 1999. Since this acquisition, these investment advisors have generated commission and trailer revenues of \$15.0 million. The retail divisions of Dundee Securities and Dundee Private Investors have generated approximately 73% of the total commission and trailer revenues earned by the combined entities with institutional sales contributing the remaining 27%.

Dundee Securities and Dundee Private Investors earn significant revenue from assets under administration invested in mutual funds. These assets provide Dundee Securities and Dundee Private Investors with an on going trailer fee calculated as a percentage of assets invested in various mutual funds. Mutual fund management companies provide investment advisors and financial planners with this fee to recognize the on going service they provide to mutual fund clients.

With the acquisition of the client account base completed in August 1999, the Company has shown significant increases in trailer revenue, as a substantial portion of the assets acquired in the transaction are invested in mutual funds. Total trailer revenue earned by the Company in respect of assets acquired pursuant to the acquisition was \$6.3 million.

Assets Under Administration

The categories of assets administered by Dundee Securities and Dundee Private Investors are summarized in the following chart:



Corporate Finance Revenue

During 1999, the Company earned \$6.7 million (1998 - \$2.8 million) in corporate finance revenue including \$5.6 million earned through participation in various new equity issues and \$1.1 million in financial advisory fees.

Principal Trading Revenue

Included in total principal trading revenue of \$7.7 million (1998 - nil) are trading profits and losses earned by registered traders and other positions held or sold short by the firm, including compensation warrants for new issues.

INVESTMENT INCOME

The Company manages its own investment portfolio, both directly and through several wholly-owned subsidiaries. Net gains from sales of investments were \$25.8 million in 1999 compared with \$11.8 million in 1998. The Company's portfolio is managed with a long-term perspective, therefore realized gains or losses are expected to vary from period to period. Unrealized gains or losses in the portfolio are not recognized in income.

In 1999, the Company increased its provision for investments that had other than temporary decreases in values by \$5.1 million (1998 - \$13.0 million).

Certain of the Company's investments are accounted for using the equity method whereby the Company includes its proportionate interest in the earnings and losses of these investments in the Company's consolidated earnings in accordance with generally accepted accounting principles. The equity method will also result in the calculation and recognition of a gain or loss on the investment if the Company's percentage ownership is diluted because of the issuance of additional shares by the investee.

The Company accounts for the following investments on an equity basis:

(In thousands of dollars)

	1999				1998			
	Year End Ownership	Equity Earnings (Losses)	Dilution Gains (Losses)	Carrying Value	Year End Ownership	Equity Earnings (Losses)	Dilution Gains (Losses)	Carrying Value
Dundee Realty Corporation	30%	\$ 3,639	\$ 3	\$ 125,282	22%	\$ 6,657	\$ 16,827	\$ 104,818
Breakwater Resources Ltd.	33%	7,486	(2,387)	68,337	36%	(18,117)	16,739	61,404
Eurogas Corporation	45%	(313)	(117)	18,179	45%	(9,019)	-	19,056
Black Hawk Mining Inc.	20%	(3,846)	(373)	5,241	22%	(2,578)	(2,657)	10,559
Zemex Corporation	33%	2,873	(278)	40,421	34%	2,727	(8)	37,323
Other		67	443	8,221		(164)	66	8,056
		\$ 9,906	\$ (2,709)	\$ 265,681		\$ (20,494)	\$ 30,967	\$ 241,216

DUNDEE REALTY CORPORATION ("DUNDEE REALTY")

Dundee Realty (TSE - D) is one of Canada's largest real estate organizations with in excess of \$1.1 billion of real estate assets. Dundee Realty provides premises to the fastest growing segments of the economy with a portfolio of attractive and well located office buildings, as well as suburban industrial and flex space. The company provides space that meets its tenants' needs at the lowest possible cost.

Dundee Realty generated in excess of \$83 million of EBITDA from its 12.5 million square feet of owned properties, as well as land and housing operations in western Canada and its 15% interest in Residential Equities REIT.

Over the last four years, the company has built a solid real estate portfolio and established an operating platform from which it can consistently add value. Management is focused on fiscal responsibility, running the company well and taking advantage of the opportunities that the market presents. This year alone, Dundee Realty found opportunities to increase its core portfolio of properties in Montreal and is now one of the largest industrial landlords in that city. In addition, Dundee Realty is developing 30 Adelaide, a 400,000 square foot office redevelopment in downtown Toronto, the largest downtown Toronto office project undertaken in over a decade.

The company has improved its real estate portfolio over the last year not only with new acquisitions, but also by selling over \$70 million of non-core assets. The company's strategy is to concentrate its assets in key clusters in Montreal, Ottawa, Toronto, Edmonton and Calgary. The company is continuing to develop methods of increasing its return on investments by providing higher service at lower costs to a more concentrated portfolio of properties.

The Canadian economy is strong and the company's tenants are growing. Demand for industrial and office space is increasing. The oversupply of properties from the 1980's has been absorbed over the last 12 years. We anticipate continued rent increases and a positive environment for Dundee Realty.

Dundee Bancorp owns 52,274,000 shares of Dundee Realty. During 1999, the Company's interest in Dundee Realty increased from 22% to 30% as a result of the Company acquiring shares in the market and as a result of Dundee Realty buying back its own shares.

BREAKWATER RESOURCES LTD. ("BREAKWATER")

Breakwater (TSE - BWR) is now an established producer of lead, zinc and silver and, during 1999, when zinc prices strengthened, experienced a significant turnaround in its results. For the year ended December 31, 1999, Breakwater earned \$22,542,000 or \$0.29 a share compared with a loss of \$53,867,000 in 1998.

On March 15, 2000, the company announced an agreement to purchase the Bouchard-Hebert and Langlois zinc/copper mines from Cambior Inc. These acquisitions will add significantly to Breakwater's metal production capacity and be accretive to both earnings and cash flow per share.

Dundee Bancorp has supported the transition of this company from a single mine operating in Honduras to a six mine company with annual production of 550 million pounds of zinc, 18 million pounds of copper, 27 million pounds of lead, 30,000 ounces of gold and 2.5 million ounces of silver.

Dundee Bancorp owns 26,894,000 shares of Breakwater or 33% of this company.

BLACK HAWK MINING INC. ("BLACK HAWK")

Black Hawk (TSE - BHK) is a junior gold miner with its operation in Nicaragua and will produce approximately 80,000 ounces of gold per annum. The company is presently undergoing a restructuring and needs to grow or merge to be an attractive investment.

Dundee Bancorp owns 26,207,000 shares of Black Hawk or 20% of this company.

EUROGAS CORPORATION ("EUROGAS")

Eurogas (TSE - EUG) maintains its interest in the Yaro Yakinsk field in Russia and recently announced an early production plan on this major resource with funding provided by a Russian Partner (Azimut). This field contains in excess of 1 billion barrels of oil equivalent.

In addition, this company continues its assessment of the feasibility of using the depleted Amposta oil reservoir off the coast of Spain as a gas storage facility and has prepared its Tunisian oil exploration play for drilling sometime in 2000.

Dundee Bancorp owns 33,828,000 shares of Eurogas or 45% of this company.

ZEMEX CORPORATION ("ZEMEX")

Zemex (TSE, NYSE - ZMX) is a leading producer of industrial minerals, specialty materials and, through its Alumitech division, reprocesses aluminum drosses with patented zero discharge technology. Zemex currently has facilities across the United States and Canada. Its products are used in a variety of industrial and commercial applications that are sold throughout North America and Europe.

The company continued its strong earnings performance in 1999.

The company has announced an arrangement with Banc of America Securities to review ways to maximize shareholder value. As a first step, the company has sold its metal powders division and continues to review its options for the other facets of the business.

Dundee Bancorp holds 2,955,000 shares of Zemex or 33% of this company.

EXPENSES

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses were \$106.6 million in 1999 compared with \$59.0 million in 1998. The 1999 results include the expenses associated with the creation of Dundee Wealth and its subsequent acquisitions and expansion in the distribution side of the business. As a result, the Company is now incurring significant variable compensation costs associated with the higher commission and trailer revenue generated by that division.

AMORTIZATION OF DEFERRED SALES COMMISSIONS

Amortization of deferred sales commissions decreased from \$45.7 million in 1998 to \$43.3 million in 1999. Commissions paid by the Company on the sale of mutual fund units sold on a deferred sales charge basis are amortized on a straight line basis over five years.

The carrying value of the deferred sales commissions on December 31, 1999 declined to \$98.3 million from \$103.6 million in 1998. The contingent redemption fee payable to the Company if all assets sold on a deferred sales charge basis were redeemed on December 31, 1999 approximates \$186 million (1998 - \$170 million).

TRAILER FEES

The Company pays trailer fees to brokers and dealers to assist them in providing on going service to clients. Trailer fees are calculated as a percentage of mutual fund assets under administration and are expected to vary as overall assets under management vary. Trailer fees fell from \$23.7 million in 1998 to \$19.0 million in 1999. The decrease is attributable to lower assets under management.

INTEREST EXPENSE

On September 24, 1997, the Company issued \$150,000,000 -- 6.70% senior debentures. Included in 1999 interest expense is \$10.1 million of interest on the debentures.

NON RECURRING ITEM

A subsidiary of the Company had an employee incentive arrangement whereby certain key employees of the subsidiary participated in the profits of its investment counselling division. In the event of departure of an employee, a change in control of the subsidiary, the buyout by the Company of an employee's interest, or the termination of the employee incentive arrangement, the employee was entitled to an amount equal to a multiple of the average of the earned share of profits of the subsidiary for the current and previous fiscal period. During the year, the Company exercised the termination provisions of the agreement at a cost of \$9.9 million.

In 1998, the Company incurred \$5.8 million of expenditures associated with the restructuring of its investment counselling division and its decision to withdraw from offering investment management services to segregated pension funds.

INCOME TAXES

During 1999, the Company recognized an \$18.0 million tax provision compared with \$10.3 million in 1998. The Company elected early adoption of the new recommendation of the Canadian Institute of Chartered Accountants in respect of accounting for income taxes. The new recommendation was applied retroactively with an opening adjustment to retained earnings of \$16.1 million. The 1998 financial statements have not been restated.

The new method requires that the Company's balance sheet reflect the future tax consequences of temporary differences between the carrying amounts of assets and liabilities for accounting purposes compared with their tax bases. As a result of the application of this method, the Company's share of unremitted earnings and losses are now tax effected.

LIQUIDITY AND CAPITAL RESOURCES

Total cash and short term investments at December 31, 1999 were \$103.0 million compared to \$49.7 million at the end of 1998. Additionally, at December 31, 1999, the Company had an investment portfolio with a fair value of approximately \$545 million. Included in the portfolio were marketable securities with a market value of \$92 million, investments in public companies (including equity accounted investments) with a fair value of \$396 million and investments in private companies with a fair value of \$57 million.

The Company manages its cash resources and that of its operating subsidiaries in order to maintain sufficient liquidity to meet on going working capital requirements, to ensure compliance with regulatory capital requirements, to fund the expansion of its current operations and to pursue new business opportunities. The Company's main subsidiaries operate in regulated environments and are therefore subject to requirements whereby they must maintain a specified level of capital. Because of this, the Company's ability to flow cash between the subsidiaries and the Company may be restricted.

The Company has \$150,000,000 -- 6.70% senior debentures outstanding, which mature on September 24, 2007. Interest on the debentures is payable semi-annually in March and September and totals \$10.1 million annually. Subject to certain covenants, the debentures do not restrict the ability of the Company to raise additional equity capital or incur additional unsecured debt. Pursuant to the indenture, certain of the Company's operating subsidiaries are restricted from incurring indebtedness in excess of specified amounts.

SHARE CAPITAL

During 1999, the Company issued 72,181 Class A Subordinate Voting Shares pursuant to the Employee Share Purchase and Share Incentive Plan. The Company also issued 641,629 Class A Subordinate Voting Shares with an ascribed value of approximately \$8.9 million in partial payment for business acquisitions. A further 16,973 shares were issued pursuant to the exercise of options.

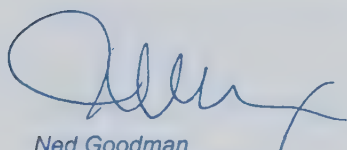
The Company acquired for cancellation 759,080 Class A Subordinate Voting Shares pursuant to its normal course issuer bid.

DUNDEE BANCORP INC.
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this annual report have been prepared by, and are the responsibility of, the management of Dundee Bancorp Inc. These financial statements have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgments when appropriate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit Committee, which is comprised of three Directors, two of whom are neither employees nor officers of the Company, and one who is a senior executive officer of the Company, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the Company's consolidated financial statements and the report of the auditors. It reports its findings to the Board of Directors who approve the consolidated financial statements.

The consolidated financial statements have been audited by Arthur Andersen LLP, the independent auditors, in accordance with generally accepted auditing standards. The auditors have full and unrestricted access to the Audit Committee.



Ned Goodman
Chairman, President &
Chief Executive Officer



Ray Benzinger
Executive Vice President &
Chief Financial Officer

Toronto, Ontario
April 19, 2000

**DUNDEE BANCORP INC.
AUDITORS' REPORT**

To the Shareholders of
DUNDEE BANCORP INC.

We have audited the consolidated balance sheet of Dundee Bancorp Inc. (the "Company") as at December 31, 1999, and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 1998 and for the year then ended, prior to restatement of redemption fees as described in note 13, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 13, 1999. We have examined the adjustments that were applied to restate the 1998 financial statements and in our opinion, such adjustments are appropriate and have been properly applied.

Arthur Andersen LLP

Chartered Accountants
Toronto, Ontario
April 19, 2000

CONSOLIDATED BALANCE SHEETS

As at December 31, 1999 and 1998

(expressed in thousands of Canadian dollars)

	1999	1998
ASSETS		
Cash and short term investments	\$ 102,998	\$ 49,721
Brokerage securities inventory (note 3)	47,506	17,791
Accounts receivable	42,178	20,515
Client accounts receivable	219,003	81,088
Investment portfolio (note 4)	520,249	490,351
Deferred sales commissions (note 5)	98,265	103,612
Capital and other assets (note 6)	131,167	48,676
TOTAL ASSETS	\$ 1,161,366	\$ 811,754
LIABILITIES		
Accounts payable and accrued liabilities	\$ 68,477	\$ 26,777
Brokerage securities sold short (note 3)	15,275	643
Client deposits and related liabilities	236,755	71,320
Deferred acquisition obligations (note 7)	5,398	3,976
Current taxes payable	25,228	7,525
Corporate debt (note 8)	204,982	161,402
Future income tax liability (note 11)	68,676	56,137
Non controlling interest	17,203	-
	641,994	327,780
SHAREHOLDERS' EQUITY		
Share capital (note 9)		
Common shares	352,050	310,637
Equity portion of deferred acquisition obligations (note 7)	372	-
Retained earnings	166,950	173,337
	519,372	483,974
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,161,366	\$ 811,754

The accompanying notes are an integral part of these consolidated financial statements.

Contingencies and commitments (note 10)

Approved by the Board:


NED GOODMAN
 DIRECTOR


GARTH A.C. MACRAE
 DIRECTOR

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 1999 and 1998

(expressed in thousands of Canadian dollars, except per share amounts)

	1999	1998
REVENUE		
Management and administration fees	\$ 110,631	\$ 112,844
Redemption fees	24,738	24,272
Financial services	58,298	10,190
	193,667	147,306
Investment income (note 4)	33,697	26,671
	227,364	173,977
EXPENSES		
Selling, general and administrative	106,636	59,043
Amortization of deferred sales commissions	43,318	45,711
Trailer fees	19,000	23,737
Depreciation and amortization	6,854	4,663
Interest expense	11,632	10,564
	187,440	143,718
OPERATING INCOME	39,924	30,259
Non recurring item (note 14)	9,936	5,813
INCOME BEFORE NON CONTROLLING INTEREST AND TAXES	29,988	24,446
Income taxes	18,017	10,344
Non controlling interest	(120)	-
NET INCOME	\$ 12,091	\$ 14,102
EARNINGS PER SHARE		
Basic	\$ 0.46	\$ 0.51
Fully diluted	\$ 0.45	\$ 0.51

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 1999 and 1998
(expressed in thousands of Canadian dollars)

	Share Capital		Deferred Acquisition Obligations	Retained Earnings	Total
	Common	Preference			
Balance, December 31, 1997	\$323,399	\$5,686	\$ -	\$160,611	\$489,696
Change in opening retained earnings to account for change in accounting policy:					
Deferred sales commissions (note 13)	-	-	-	10,480	10,480
Net income for the year	-	-	-	14,102	14,102
Issuance of Class A subordinate shares for cash, net of costs	2,538	-	-	-	2,538
Issuance of Class A subordinate shares for non-monetary consideration	3,072	-	-	-	3,072
Conversion of preference shares to Class A subordinate shares	5,686	(5,686)	-	-	-
Acquisition of Class A subordinate shares for cancellation	(24,058)	-	-	(11,785)	(35,843)
Preference share dividends and related taxes	-	-	-	(71)	(71)
Balance, December 31, 1998	310,637	-	-	173,337	483,974
Net income for the year	-	-	-	12,091	12,091
Change in opening retained earnings to account for change in accounting policy:					
Income taxes (note 13)	-	-	-	(16,055)	(16,055)
Issuance of Class A subordinate shares for cash, net of costs	636	-	-	-	636
Issuance of Class A subordinate shares for non-monetary consideration	9,334	-	-	-	9,334
Deferred business acquisition obligations	-	-	372	-	372
Acquisition of Class A subordinate shares for cancellation	(9,067)	-	-	(2,121)	(11,188)
Cancellation of options granted, net of tax	-	-	-	(302)	(302)
Unrealized dilution gains, net of tax (note 2)	40,510	-	-	-	40,510
Balance, December 31, 1999	\$352,050	\$0	\$372	\$166,950	\$519,372

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 1999 and 1998

(expressed in thousands of Canadian dollars)

	1999	1998
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Income before taxes and non recurring item	\$ 40,044	\$ 30,259
Items not affecting cash from operations:		
Amortization	50,172	50,374
Net investment (gains) losses	(20,675)	1,227
Share of unremitted equity earnings	(7,198)	(10,473)
Capital and income taxes paid	(10,726)	(3,188)
Other non-cash components of income	1,638	(7,066)
	53,255	61,133
Changes in other non-cash working capital items:		
Accounts receivable	(18,343)	4,413
Accounts payable and accrued liabilities	22,176	(10,401)
Brokerage securities inventory, net	(13,935)	-
Client accounts receivable net of deposits and related liabilities	27,794	-
	70,947	55,145
Non recurring item	(9,936)	(5,813)
	61,011	49,332
FINANCING		
Issuance of corporate debt, net of costs	13,815	6,709
Issuance of Class A subordinate shares, net of costs	261	2,538
Acquisition of Class A subordinate shares	(11,188)	(35,843)
Cancellation of options granted	(545)	-
Retraction of preference shares	-	(5,166)
Preference share dividends and related taxes	-	(71)
	2,343	(31,833)
INVESTING		
Proceeds on sales of portfolio investments	109,051	165,487
Acquisition of portfolio investments	(104,057)	(125,469)
Sales commissions paid on distribution of mutual funds	(9,673)	(22,066)
Other	(5,398)	(5,988)
	(10,077)	11,964
INCREASE IN CASH	53,277	29,463
CASH, BEGINNING OF YEAR	49,721	20,258
CASH, END OF YEAR	\$ 102,998	\$ 49,721

Cash flows from operating activities include the following:

Interest paid	\$ 11,632	\$ 10,564
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The accompanying notes are an integral part of these consolidated financial statements.

DUNDEE BANCORP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998 (tabular dollar amounts in thousands of dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dundee Bancorp Inc., ("Dundee Bancorp" or the "Company") is a financial service company that, through its subsidiary, Dundee Wealth Management Inc. ("Dundee Wealth"), provides a broad range of financial products and services to individuals, institutions and corporations. Dundee Bancorp is also engaged in the provision of financial services internationally from Bermuda, Cayman Islands and India, as well as managing its own investment portfolio.

BASIS OF PRESENTATION

These consolidated financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. The Company's interest in the voting equity share capital of its subsidiaries is 100% except for Dundee Wealth which, at December 31, 1999, was 85% (note 2). Investments which do not result in control of the investee, or where such control is considered to be temporary, or which are less than 50%-owned and more than 20%-owned and where significant influence exists, are accounted for using the equity method. Investments which are less than 20%-owned, or where significant influence does not exist, are accounted for at cost.

All intercompany transactions have been eliminated in these financial statements.

MANAGEMENT ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CLIENT ACCOUNTS

In accordance with brokerage industry practice, client transactions are entered into on either a cash or margin basis. In a margin transaction, the Company's brokerage subsidiary extends credit to a client for the purchase of securities, using the securities purchased and/or other securities in the client's account as collateral for the amounts loaned.

CASH AND SHORT TERM INVESTMENTS

Cash and short term investments are carried at cost which approximates their fair value.

FINANCIAL INSTRUMENTS

The Company's investment portfolio includes publicly listed and privately issued securities. Changes in interest rates may indirectly affect the value of these securities. An investment, including an equity accounted investment, is written down to reflect a decrease in the underlying net realizable value of the investment that, in the opinion of management, is other than temporary.

Derivative financial instruments are carried at fair value with resulting gains and losses reported in current earnings. The fair value of a derivative contract represents the amount the Company would have to pay a third party to assume its obligations under the contract or the amount a third party would pay to receive the Company's benefits under the contract. Fair values for exchange traded options are based on quoted market prices. The Company primarily trades options on an agency basis.

From time to time, the Company's brokerage subsidiary may sell securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The subsidiary may incur a loss if the market value of these securities subsequently increases.

REVENUE RECOGNITION

The Company generally receives management, performance and administrative fees based upon the net asset value of assets under management. These fees are recognized on an accrual basis.

Redemption fees paid by unitholders on the redemption of mutual funds sold on a deferred sales charge basis and financed by the Company, are recognized as revenue on the settlement date of the redemption of the applicable mutual fund units.

Securities transactions and related commission revenues and expenses are included in financial services revenue and are recorded in the accounts on a trade date basis. Brokerage securities owned and brokerage securities sold short are recorded at fair value. Both realized and unrealized gains and losses from these securities are included in financial services revenue.

Investment income includes:

- a. interest income and dividend income, for investments carried at cost, which are recognized as earned;
- b. investment gains or losses in respect of the Company's investment portfolio which are included in income upon realization through the sale of the investment; and
- c. the Company's share of earnings or losses from investments accounted for using the equity method.

Application of the equity method will result in the recognition of a gain or loss if the Company's interest in the investment is diluted as a result of the issuance of additional shares by the investee.

DEFERRED SALES COMMISSIONS

Deferred commissions consist of sales commissions paid to third party brokers and dealers on the sale of mutual funds sold on a deferred sales charge basis. These costs are amortized on a straight line basis over five years.

CAPITAL AND OTHER ASSETS

The excess of the purchase price over the fair value of the assets acquired in business acquisitions is being amortized on a straight line basis over 20 years. The Company regularly evaluates the carrying value of this amount by reviewing the returns of the related businesses or assets, taking into account the risk associated with the investment.

The cost attributed to mutual fund advisory and management contracts is being amortized on a straight line basis over a 20 year period.

Capital assets are recorded at cost, net of accumulated depreciation, and depreciated on a straight line or declining balance basis. Annual depreciation rates adopted by the Company range from 20% to 30%.

Leasehold improvements are amortized on a straight line basis over the lease terms.

Stock exchange seats are carried at their net realizable value.

Corporate debt issue costs are amortized over the term of the debt.

SHARE INCENTIVE PLAN

The Company grants options to purchase Subordinate Shares of the Company to eligible employees pursuant to the terms of the Company's share incentive plan. No compensation expense is recognized for these options on the date of grant. Any consideration paid by employees on exercise of stock options is credited to share capital. If stock options are repurchased from employees, the excess of the consideration paid over the carrying value of the stock option cancelled is charged to retained earnings.

INCOME TAXES

The Company uses the asset and liability method to provide for income taxes on all transactions recorded in the financial statements. The asset and liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates which are expected to be in effect when the underlying assets and liabilities are expected to be realized.

FOREIGN CURRENCY TRANSLATION

All foreign currency denominated amounts, including those of integrated foreign operations, are translated into Canadian dollars using average rates for the year for items included in the consolidated statements of income, the rate in effect at the balance sheet date for monetary assets and liabilities included in the consolidated balance sheets and historical rates for other items. Translation gains or losses are included in the determination of income.

EARNINGS PER SHARE

Basic earnings per share is computed by dividing the net income for the year, adjusted for dividends on preference shares and related taxes, by the weighted average number of Class A subordinate voting shares ("Subordinate Shares") and Class B common shares ("Class B Shares") outstanding during the year (1999 - 26,488,156; 1998 - 27,461,524).

Fully diluted earnings per share is computed by giving effect to the exercise of outstanding options. In the year ended December 31, 1999, the change in net income available for common shareholders which would result from the use of the proceeds from the exercise of outstanding options has been estimated at \$96,000, based on a cost of capital of approximately 7%. The weighted average number of shares outstanding on a fully diluted basis would increase by 428,100. During the year ended December 31, 1998, the assumed exercise of outstanding options was not dilutive.

RECLASSIFICATION OF 1998 AMOUNTS

Certain of the prior year amounts have been reclassified to conform with the basis of presentation adopted for 1999.

2. REORGANIZATION AND BUSINESS ACQUISITIONS

CORPORATE REORGANIZATION

During 1999, the Company entered into various transactions with its subsidiary, Dundee Wealth, pursuant to which Dundee Bancorp's Canadian financial services and investment management subsidiaries were reorganized as subsidiaries of Dundee Wealth. As a result of the reorganization, the following entities were transferred to Dundee Wealth:

- *Dundee Capital Markets Inc.*, a holding company and parent to Dundee Securities Corporation ("Dundee Securities"), a registered securities dealer;
- *Dynamic Mutual Funds Ltd.*, an investment management company and manager of the Dynamic Mutual Funds;
- *Dundee Private Investors Inc.*, a financial planner and mutual fund dealer; and
- *CVOF Management Ltd.*, manager of the labour sponsored fund, Dynamic Venture Opportunities Fund Ltd.

As a result of the reorganization, Dundee Bancorp received:

- 46,000,000 common shares of Dundee Wealth, being 100% of the common shares of Dundee Wealth then issued and outstanding;
- 3,770,000 series X, preference shares of Dundee Wealth with a fixed preferential cumulative dividend at the rate of 6% per annum; and
- 2,000,000 warrants to acquire common shares of Dundee Wealth at a price of \$12.00 per common share.

The reorganization of these entities has been accounted for on the continuity of interest basis and accordingly, the transaction has been recorded at the historic cost to Dundee Bancorp of the assets transferred.

1998 BUSINESS ACQUISITIONS

Leeds Management Services Limited ("Leeds")

On May 25, 1998, the Company completed a share purchase agreement whereby the Company acquired all of the issued and outstanding shares of Leeds, a provider of off-shore third party fund administration services. The acquisition has been accounted for as a purchase transaction and accordingly, the purchase price was allocated to the assets and liabilities acquired based on their estimated fair values as of January 19, 1998, the effective date of the transaction. The total purchase price was \$9,605,000 including cash of \$7,364,000 and the issuance of 83,015 Subordinate Shares valued at \$2,241,000. The total purchase price exceeded the fair value of the tangible net assets acquired by \$8,979,000.

The Subordinate Shares issued as partial consideration for the acquisition of Leeds are subject to an escrow arrangement whereby 25% of the shares may be released in each of the four years following the date of acquisition. The release of shares may be adjusted relative to income generated by Leeds but will not exceed the 83,015 shares issued. There were no shares released during 1999.

Dundee Securities Corporation ("Dundee Securities")

On June 22, 1998, the Company acquired the remaining 25% of Dundee Securities (formerly Eagle & Partners Inc.) from its non controlling shareholder. The total purchase price for the remaining 25% was \$576,000 and was paid for through the issuance of 20,000 Subordinate Shares. The acquisition has been accounted for as a purchase transaction and accordingly, the purchase price was allocated to the assets and liabilities acquired based on their fair values as of June 22, 1998.

Deacon Capital Corporation ("Deacon")

On December 18, 1998, the Company completed a share purchase agreement whereby the Company purchased all the outstanding shares of Deacon, a securities broker. The acquisition has been accounted for as a purchase transaction and accordingly, the purchase price was allocated to the assets and liabilities acquired based on their fair values as of December 18, 1998. The total purchase price was \$9,563,000 which includes cash of \$5,489,000, the issuance of 6,944 Subordinate Shares at a value of \$98,000 and additional obligations in the amount of \$3,976,000 (note 7).

			<i>Dundee</i>		
	<i>Leeds</i>	<i>Securities</i>	<i>Deacon</i>	<i>TOTAL</i>	
Fair value of assets acquired, net of liabilities assumed	\$ 626	\$ (32)	\$ 10,688	\$	11,282
Aggregate purchase price	9,605	576	9,563		19,744
Excess of purchase price over the fair value of tangible net assets acquired	\$ 8,979	\$ 608	\$ (1,125)	\$	8,462

1999 BUSINESS ACQUISITIONS

Acquisition of Infinity Funds Management Inc. ("Infinity")

On August 30, 1999, Dundee Wealth completed a share purchase agreement whereby it acquired all of the issued and outstanding shares of Infinity, an investment management company and manager of the Dynamic Infinity Mutual Funds (formerly Infinity Mutual Funds). The acquisition has been accounted for as a purchase transaction and accordingly, the purchase price was allocated to the assets and liabilities acquired based on their estimated fair values on August 30, 1999. The total purchase price was \$51,248,000 and was comprised of cash of \$5,000,000, shares of Dundee Wealth with an ascribed value of \$43,048,000 and additional obligations in the amount of \$3,200,000. The amount by which the total purchase price exceeded the fair value of the tangible net assets acquired was \$36,980,000, before accounting for taxes on the deductible portion of goodwill, and is being amortized on a straight line basis over a 20 year period.

The shares of Dundee Wealth issued to former shareholders of Infinity as consideration for the acquisition of Infinity are subject to an escrow arrangement whereby 25% of the shares will be released in each of the next four years. The number of shares to be released may be adjusted for any inaccuracy in the representations and warranties made by Infinity in respect of the acquisition and is subject to Infinity meeting a target growth rate in the Dynamic Infinity Mutual Funds.

Acquisition of Assets of 170399 Canada Inc. ("170399")

On August 30, 1999, Dundee Wealth acquired certain securities related assets, including the transfer of client accounts and registrations of all registered personnel, and assumed certain liabilities of 170399 (formerly Fortune Financial Management Inc.) and two of its subsidiaries. The total purchase price was \$42,531,000 and was comprised of cash of \$1,665,000, shares of Dundee Wealth with an ascribed value of \$27,080,000 and additional obligations in the amount of \$13,786,000. The acquisition has been accounted for using the purchase method and accordingly, the purchase price was allocated to the assets and liabilities acquired based on their fair values. The excess of the purchase price over the fair value of the net assets was \$42,531,000, before accounting for taxes on the deductible portion of goodwill, and is being amortized on a straight line basis over a 20 year period.

The shares of Dundee Wealth issued to key personnel of 170399 and to 170399 and two of its subsidiaries, in connection with the asset acquisition, are subject to an escrow arrangement and will be released, subject to the terms of the escrow arrangement, over the next four years.

Acquisition of Peelbrooke Capital Inc. ("Peelbrooke")

Prior to November 1999, Dundee Bancorp held approximately 35% of the common shares of Peelbrooke, a holding company, at a carrying value of \$11,411,000. Pursuant to a joint take over bid dated November 12, 1999, the Company and Dundee Wealth offered to purchase all of the outstanding common shares of Peelbrooke not already owned by Dundee Bancorp. In consideration thereof, Dundee Bancorp issued 641,629 Subordinate Shares with an ascribed value of \$8,859,000 and incurred additional obligations in the amount of \$372,000 (note 7). Dundee Wealth paid cash of \$4,812,000, issued shares with an ascribed value of \$8,577,000 and incurred an additional cash obligation in the amount of \$196,000 and an obligation to issue shares at an aggregate value of \$361,000 (note 7). As part of the Peelbrooke acquisition, Dundee Bancorp agreed to transfer all of its interest in Peelbrooke subsequent to the take over bid, to Dundee Wealth in exchange for 529,046 Dundee Wealth common shares, 529,046 common share purchase warrants to acquire common shares of Dundee Wealth at \$10.00 per share, and 1,683,668 series X, preference shares of Dundee Wealth.

The acquisition of the Peelbrooke shares has been accounted for as a purchase transaction and accordingly, the purchase price was allocated to the assets and liabilities acquired based on their estimated fair values on December 31, 1999. The total purchase price exceeded the fair value of the tangible net assets acquired by \$8,151,000. The Company attributed \$5,610,000 of this excess to the availability of income tax loss carry forwards. The remaining excess of \$2,541,000 will be amortized on a straight line basis over a 20 year period.

Acquisition of Assets of Pro-Genesis Securities Inc. ("Pro-Genesis")

On December 3, 1999, Dundee Wealth acquired the securities related assets, including the transfer of client accounts and registrations of all registered personnel, and assumed certain liabilities of Pro-Genesis, a Quebec-based securities firm. The total purchase price was \$1,900,000 and was comprised of cash of \$950,000 and additional cash obligations in the amount of \$950,000 (note 7). The acquisition has been accounted for using the purchase method and accordingly, the purchase price was allocated to the assets and liabilities acquired based on their fair values. The excess of the purchase price over the fair value of the net assets acquired was \$1,900,000 and is being amortized on a straight line basis over a 20 year period.

	Infinity	170399	Peelbrooke	Pro-Genesis	TOTAL
Fair value of tangible assets acquired, net of liabilities assumed	\$ 14,268	\$ -	\$ 26,437	\$ -	\$ 40,705
Aggregate purchase price	51,248	42,531	34,588	1,900	130,267
Excess of purchase price over the fair value of tangible net assets acquired	\$ 36,980	\$ 42,531	\$ 8,151	\$ 1,900	\$ 89,562

The consolidated results of operations for the year ended December 31, 1999 include the operating results of Infinity from August 30, 1999, the effective date of the transaction. Operating results of Peelbrooke are not included in consolidated income as the acquisition of Peelbrooke was completed late in the year. Consolidated operating results include income generated as a result of the asset acquisition from 170399 from August 30, 1999 and as a result of the asset acquisition from Pro-Genesis from December 3, 1999.

DILUTION GAIN

As a result of the reorganization and subsequent business acquisitions, the Company's investment in Dundee Wealth was diluted from 100% to approximately 85% at December 31, 1999. For accounting purposes, the Company is considered to have disposed of approximately 15% of its interest in Dundee Wealth resulting in a dilution gain of approximately \$40,510,000, net of taxes of \$20,375,000. This dilution gain was recorded directly to shareholders' equity.

3. BROKERAGE SECURITIES INVENTORY AND BROKERAGE SECURITIES SOLD SHORT

The Company's brokerage securities inventory and securities sold short are as follows:

	1999		1998	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Money market	\$ 34,990	\$ 1,513	\$ 15,893	\$ 1
Bonds and other debt instruments	1,560	118	199	4
Equities	9,096	13,297	1,699	638
Options	1,860	347	-	-
	\$ 47,506	\$ 15,275	\$ 17,791	\$ 643

From time to time, the Company's brokerage subsidiary may sell securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The subsidiary may incur a loss if the market value of these securities subsequently increases.

Securities owned and securities sold short are recorded at fair value.

Derivative Financial Instruments

The Company's brokerage subsidiary trades in certain derivative instruments for the purpose of managing proprietary trading strategies or for the purpose of risk management.

The Company's brokerage subsidiary uses forward contracts to cover outstanding obligations in Canadian or U.S. currency. Forward contract transactions involve the future delivery of an amount of a currency at a specified price at a specified time.

The following table discloses the outstanding contracts as at December 31, 1999 and 1998:

		1999		1998	
		Buy	Sell	Buy	Sell
USD Forward Contracts	\$	991	\$ 339	\$ 359	\$ 1,609

The notional amounts associated with these contracts are not recorded on the balance sheet but generally exceed the future cash requirements relating to these instruments. All forward contracts are short term in nature and mature within 30 days.

4. INVESTMENT PORTFOLIO

The following table summarizes the carrying values of the Company's investment portfolio:

						1999						1998					
		Year End		Non-			Year End		Non-			Year End		Non-			
		Ownership	Listed	Quoted	Loans	Total	Ownership	Listed	Quoted	Loans	Total	Ownership	Listed	Quoted	Loans	Total	
Equity accounted investments																	
Black Hawk Mining Inc.	20%	\$	5,241	\$	-	\$ 5,241	22%	\$	10,559	\$	-	\$ 10,559	22%	\$	10,559	\$	-
Breakwater Resources Ltd.	33%		68,337		-	68,337	36%		61,404		-	61,404	36%		61,404		-
Dundee Realty Corporation	30%		125,282		-	125,282	22%		104,818		-	104,818	22%		104,818		-
Eurogas Corporation	45%		18,179		9,849	28,028	45%		19,056		9,849	28,905	45%		19,056		9,849
Zemex Corporation	33%		40,421		-	40,421	34%		37,323		-	37,323	34%		37,323		-
Other			8,221		1,991	10,212			8,060		1,991	10,051			8,060		1,991
Marketable securities			78,586		-	78,586			135,914		-	135,914			135,914		-
Other portfolio investments			109,452	30,748	23,942	164,142			66,256	19,752	10,659	96,667			66,256	19,752	10,659
		\$	453,719	\$	30,748	\$ 35,782	\$ 520,249		\$	443,390	\$	19,752	\$ 27,209	\$ 490,351			

The fair market value of the investment portfolio approximates \$545,000,000 (1998 - \$385,000,000) determined using the quoted market values for listed securities and carrying values for non-quoted securities and loans.

The Company has investments of \$87,275,000 (1998 - \$57,651,000) in mutual funds and other investment products which are managed by a wholly-owned subsidiary of Dundee Wealth. These transactions are conducted on the same basis as with other mutual fund investors.

INVESTMENT INCOME

Investment income includes:

	1999	1998
Interest, dividends and foreign exchange	\$ 5,840	\$ 17,425
Realized investment gains, net	25,758	11,773
Increase in investment provision to reflect decreases in value of investments	(5,098)	(13,000)
Share of earnings (losses) of equity accounted investments	9,906	(20,494)
(Losses) gains from dilutions of interest in equity accounted investments	(2,709)	30,967
	\$ 33,697	\$ 26,671

5. DEFERRED SALES COMMISSIONS

Deferred sales commissions, December 31, 1997	
(net of accumulated amortization of \$97,781)	\$ 127,257
Commissions funded during 1998	22,066
Amortization of deferred sales commissions during 1998	(45,711)
Deferred sales commissions, December 31, 1998	
(net of accumulated amortization of \$143,492)	103,612
Commissions funded during 1999	9,673
Commissions acquired pursuant to business acquisitions	28,298
Amortization of deferred sales commissions during 1999	(43,318)
Deferred sales commissions, December 31, 1999	
(net of accumulated amortization of \$186,810)	\$ 98,265

6. CAPITAL AND OTHER ASSETS

	1999		1998	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Fixed assets	\$ 30,106	\$ 12,389	\$ 27,094	\$ 9,706
Goodwill (note 2)	114,874	10,251	29,816	7,293
Corporate debt issue costs	1,565	351	1,565	194
Other	9,149	1,536	8,583	1,189
	\$ 155,694	24,527	\$ 67,058	18,382
Net book value		\$ 131,167		\$ 48,676

7. DEFERRED ACQUISITION OBLIGATIONS

	1999	1998
Cash obligations in respect of:		
Peelbrooke	\$ 196	\$ -
Deacon	3,891	3,976
Pro-Genesis	950	-
Share issuance obligations by Dundee Wealth in respect of:		
Peelbrooke	361	-
	5,398	3,976
Share issuance obligations by Dundee Bancorp in respect of:		
Peelbrooke	372	-
	372	-
Total deferred acquisition obligations	\$ 5,770	\$ 3,976

8. CORPORATE DEBT

	1999	1998
Corporate		
\$150,000,000 -- 6.70% senior debentures due September 24, 2007	\$ 149,642	\$ 149,595
Revolving term credit facility	3,071	2,734
Subsidiary companies		
Call loans	37,490	6,792
Infinity Income Trust	12,498	-
Notes payable	2,281	2,281
	\$ 204,982	\$ 161,402

Senior Debentures

On September 24, 1997, the Company issued \$150,000,000 ten-year senior unsecured debentures (the "Debentures") at a discount of \$3.09 per \$1,000 principal amount. Net proceeds of the issue, after commissions and related expenses, were \$147,977,000. The Debentures pay interest at 6.70% per annum, payable semi-annually in arrears on March 24 and September 24 of each year. The Debentures are redeemable in whole or in part at any time, at the option of the Company, at the higher of the par value of the Debenture or a price calculated so as to provide a yield to maturity equal to the Government of Canada Yield at the time of the redemption plus 0.20%. As at December 31, 1999, the fair value of the Debentures, based on quoted market values was \$130,050,000 (1998 - \$145,755,000).

Banking Facilities

The Company has a revolving term, unsecured credit facility for \$10,000,000. Interest on the credit facility accrues, at the Company's option, at either a Canadian chartered bank's prime lending rate plus $\frac{1}{4}$ of 1% or Corporate Bankers' Acceptance Rate plus $\frac{1}{4}$ of 1%. The Company's borrowings under the revolving term credit facility and notes payable bear interest at floating rates and, accordingly, their fair value approximates their carrying value.

Call Loans

The Company's brokerage subsidiary borrows money primarily to facilitate the securities settlement process for both client and firm inventory transactions. These call loans are collateralized by either unpaid client securities or securities owned by the Company. The Company's subsidiary paid interest on the outstanding call loan balances at interest rates between 5.00% and 5.50% on Canadian funds (1998 - 5.50% and 6.50%) and between 5.38% and 6.44% on U.S. funds (1998 - 5.63% and 5.88%).

Infinity Income Trust

As part of the Infinity acquisition (note 2) the Company assumed obligations to the Infinity Income Trust (the "Trust"). The Trust was formed for the purpose of financing the deferred sales commissions of Dynamic Infinity Mutual Funds for the period August 1, 1997 up to and including February 26, 1998.

	1999
Secured notes	\$ 10,771
Participation certificates	1,727
	\$ 12,498

Interest on the secured notes is charged at 5% per annum. No interest is charged on the participation certificates, although it is possible that an amount in excess of the loan amount may be paid to the Trust. A subsidiary of the Company has ceded a portion of its monthly management fee from the Dynamic Infinity Mutual Funds to be applied first to the repayment of the secured notes and then to the repayment of the participation certificates. The amount of the monthly management fee ceded is 0.55% per annum of the net asset value of the units where the sales commissions were financed by the Trust. In the event that the monthly management fee ceded is insufficient to repay the secured notes and the participation certificates by April 30, 2013, any amount outstanding will not be required to be repaid by the Company. Repayments will be applied first to the interest, then to the secured notes, and finally to the participation certificates. The repayment of the participation certificates will continue to the earlier of April 30, 2013 or until there are no remaining mutual fund units financed by the Trust. Any redemption charges paid by the unitholders on redemption of units financed by the Trust will be applied to the repayment of the secured notes and the participation certificates. The secured notes are secured by a general security interest under the PPSA in the accounts of the mutual funds managed by Infinity Investment Counsel Ltd., an indirectly held wholly-owned subsidiary of Dundee Wealth.

9. SHARE CAPITAL

AUTHORIZED

The Company is authorized to issue an unlimited number of Subordinate Shares, an unlimited number of Class B Shares, an unlimited number of first preference shares, issuable in series, an unlimited number of second preference shares, issuable in series, and an unlimited number of third preference shares, issuable in series.

ISSUED AND OUTSTANDING

	CLASS A		CLASS B		TOTAL	
	Number	Amount	Number	Amount	Number	Amount
COMMON SHARES						
Outstanding December 31, 1997	25,946,538	\$ 314,380	1,148,476	\$ 9,019	27,095,014	\$ 323,399
Issued (redeemed) during the year ended December 31, 1998						
Redeemed pursuant to issuer bid	(2,019,716)	(24,058)	-	-	(2,019,716)	(24,058)
Issued under the employee share purchase plan	100,495	1,977	-	-	100,495	1,977
Issued under the employee share incentive plan	10,000	157	-	-	10,000	157
Issuance of shares in business acquisitions (note 2)	109,959	2,915	-	-	109,959	2,915
Options exercised	105,333	566	-	-	105,333	566
Share issue costs	-	(5)	-	-	-	(5)
Conversion from Series Z preference shares to Subordinate Shares	1,421,499	5,686	-	-	1,421,499	5,686
Conversion from Class B Shares to Subordinate Shares	8,510	67	(8,510)	(67)	-	-
Reinstatement of shares	45	-	-	-	45	-
Outstanding December 31, 1998	25,682,663	\$ 301,685	1,139,966	\$ 8,952	26,822,629	\$ 310,637
Issued (redeemed) during the year ended December 31, 1999						
Redeemed pursuant to issuer bid	(759,080)	(9,012)	(7,000)	(55)	(766,080)	(9,067)
Issued under the employee share purchase plan	57,181	850	-	-	57,181	850
Issued under the employee share incentive plan	15,000	217	-	-	15,000	217
Issuance of shares in business acquisitions (note 2)	641,629	8,859	-	-	641,629	8,859
Options exercised	368	4	-	-	368	4
Share issue costs	-	(218)	-	-	-	(218)
Stock appreciation rights	16,605	258	-	-	16,605	258
Conversion from Class B Shares to Subordinate Shares	53,201	418	(53,201)	(418)	-	-
Reinstatement of shares	1,080	-	-	-	1,080	-
Outstanding December 31, 1999	25,708,647	\$ 303,061	1,079,765	\$ 8,479	26,788,412	\$ 311,540
PREFERENCE SHARES						
Third Series						
Series Z						
Outstanding December 31, 1997					1,421,499	\$ 5,686
Redeemed during the year ended December 31, 1998						
Conversion from Series Z preference shares to Subordinate Shares					(1,421,499)	(5,686)
Total preference shares outstanding December 31, 1998 and 1999					-	-
UNRECOGNIZED DILUTION GAIN (note 2)						\$ 40,510
Total Share Capital Outstanding December 31, 1999						\$ 352,050

COMMON SHARES

Holders of Subordinate Shares and Class B Shares are entitled to one vote and 100 votes respectively, for each such share held. The Subordinate Shares and Class B Shares will participate equally, share for share, as to dividends. The Class B Shares are convertible into Subordinate Shares on a one-for-one basis at any time. In the event of an offer to purchase the Class B Shares by a third party, and in certain circumstances, each Subordinate Share will be convertible, at the option of the holder, into one Class B Share for purposes of accepting such an offer.

During 1997, the Company cancelled 34,666 Subordinate Shares and 5,224 Class B Shares. Pursuant to the articles of arrangement dated October 30, 1991, shares of predecessor corporations not deposited with the registrar and transfer agent prior to October 30, 1997 ceased to represent a claim on the net assets of the Company and were therefore cancelled. During 1999, the Company reinstated 1,080 shares (1998 - 45 shares) upon verification that the shares were properly deposited with the registrar and transfer agent.

PREFERENCE SHARES**First Preference Shares**

Each series of first preference shares will rank on a parity with the first preference shares of every other series and will be entitled to preference on the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company over the Subordinate Shares, Class B Shares, second preference shares and third preference shares.

Second Preference Shares

Each series of second preference shares will rank junior and subordinate to the first preference shares, on a parity with second preference shares of every other series and will be entitled to preference over the Subordinate Shares, Class B Shares and third preference shares.

Third Preference Shares

Each series of third preference shares will rank junior and subordinate to the first preference shares and the second preference shares, on a parity with the third preference shares of every other series and will be entitled to preference over the Subordinate Shares and Class B Shares.

Series Z third preference shares - During 1998, the 1,421,499 outstanding Series Z third preference shares were converted to common shares on the basis of one Subordinate Share for each preference share.

STOCK OPTION PLAN

The directors of the Company have granted options to acquire Subordinate Shares to certain officers and employees of the Company as follows:

<i>Date of Grant</i>	<i>Options Granted</i>	<i>Exercise Price</i>	<i>Options Exercised</i>	<i>Options Cancelled</i>	<i>Options Outstanding December 31, 1999</i>
January 21, 1992	1,301,000	\$3.000	335,167	592,733	373,100
July 29, 1992	233,000	\$3.100		233,000	-
April 2, 1993	209,500	\$4.500	30,000	124,500	55,000
August 5, 1993	60,000	\$7.125	20,000	13,333	26,667
April 15, 1994	359,000	\$9.875	28,169	110,497	220,334
December 16, 1994	291,500	\$8.625	57,666	68,663	165,171
March 14, 1995	46,000	\$9.500	20,000	19,000	7,000
January 4, 1996	100,000	\$14.000			100,000
March 7, 1996	494,000	\$17.750		107,332	386,668
August 15, 1996	300,000	\$17.450	6,666	99,765	193,569
March 6, 1997	100,000	\$29.600		62,500	37,500
May 14, 1997	45,000	\$28.550			45,000
September 23, 1997	35,500	\$40.750		2,000	33,500
October 6, 1997	45,000	\$39.750			45,000
November 19, 1997	125,000	\$34.250		13,000	112,000
May 12, 1998	69,000	\$27.250		5,000	64,000
August 21, 1998	188,000	\$14.850		18,000	170,000
November 17, 1998	42,000	\$14.350			42,000
March 15, 1999	600,000	\$14.500		15,000	585,000
April 21, 1999	35,000	\$14.600			35,000
August 31, 1999	2,000	\$15.500			2,000
	4,680,500		497,668	1,484,323	2,698,509

Options granted to employees vest evenly over a three year period and expire ten years from the date of grant. During 1999, 368 options were exercised for cash of \$4,000 (1998 - 105,333 for \$566,000). In addition, 51,801 options were exercised pursuant to a stock appreciation rights arrangement resulting in the Company issuing 16,605 Subordinate Shares at a value of \$258,000 (1998 - nil). A total of 238,349 options were cancelled during 1999 (1998 - 109,839).

RETAINED EARNINGS

During 1999, the Company purchased for cancellation 759,080 Subordinate Shares (1998 - 2,019,716 Subordinate Shares) having an aggregate stated capital of \$9,012,000 (1998 - \$24,058,000) and 7,000 Class B Shares (1998 - nil) having an aggregate stated capital of \$55,000 (1998 - nil). The difference between the purchase price of \$11,188,000 (1998 - \$35,843,000) and the stated capital has been charged to retained earnings.

10. CONTINGENCIES AND COMMITMENTS

The Company and its subsidiaries have given unsecured guarantees and letters of credit totalling approximately \$16,608,000 at December 31, 1999 (1998 - \$13,226,000) covering potential indebtedness of certain companies. The Company and its subsidiaries have lease agreements for premises pursuant to which minimum lease payments, exclusive of operating costs and realty taxes, are as follows:

2000	\$	4,641
2001		4,556
2002		4,344
2003		2,953
2004		1,535
Thereafter		3,785
	\$	21,814

11. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective tax rate is as follows:

	1999 (%)	1998 (%)
Combined Canadian federal and provincial income tax rate	45	45
Equity losses not tax effected	-	(19)
Non-deductible expenses	4	8
Benefit of losses not recognized	10	5
Other	1	3
	60	42

Significant components of the Company's future income tax assets and liabilities as of December 31, 1999 are as follows:

	1999	1998
Future income tax assets		
Tax loss carry forwards	\$ 28,786	\$ 2,794
Deferred acquisition obligations	4,680	-
Capital assets	747	305
Financing charges	1,394	1,502
Other	525	862
	36,132	5,463
Future income tax liabilities		
Investment portfolio including equity accounted investments	39,513	15,368
Unrealized dilution gain on reorganization (note 2)	20,375	-
Deferred sales commissions	43,846	46,232
Management contracts	1,074	-
	104,808	61,600
Net future income tax liability	\$ 68,676	\$ 56,137

12. SEGMENTED INFORMATION

Financial information is presented according to the following operating segments:

Wealth Management

The wealth management segment includes the operating results and assets of the Company's investment management subsidiary, Dundee Wealth. This segment provides investment management and administrative services to the Dynamic, Dynamic Power, and Dynamic Infinity Mutual Funds, the Dynamic Venture Opportunities Fund, institutional clients and private individuals. This operating segment also provides securities brokerage, investment banking and financial planning and advisory services to corporations and individuals.

Corporate

The corporate segment includes various revenues and expenses incurred at the corporate level, including revenues generated and expenses incurred in the management of the Company's investment portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Wealth Management		Corporate		Intersegment		TOTAL	
	1999	1998	1999	1998	1999	1998	1999	1998
REVENUE								
Management and administration fees	\$ 107,890	\$ 109,498	\$ 2,741	\$ 3,346	\$ -	\$ -	\$ 110,631	\$ 112,844
Redemption fees	15,230	11,688	9,508	12,584	-	-	24,738	24,272
Financial services	58,135	6,236	9,154	14,661	(8,991)	(10,707)	58,298	10,190
	181,255	127,422	21,403	30,591	(8,991)	(10,707)	193,667	147,306
Investment income	1,027	750	33,032	26,452	(362)	(531)	33,697	26,671
	182,282	128,172	54,435	57,043	(9,353)	(11,238)	227,364	173,977
EXPENSES								
Selling, general and administrative	103,335	58,097	12,158	11,493	(8,857)	(10,547)	106,636	59,043
Amortization of deferred sales commissions	28,344	23,362	14,974	22,349	-	-	43,318	45,711
Trailer fees	19,000	23,737	-	-	-	-	19,000	23,737
Depreciation and amortization	4,798	2,546	2,056	2,117	-	-	6,854	4,663
Interest expense	1,471	901	10,523	10,194	(362)	(531)	11,632	10,564
	156,948	108,643	39,711	46,153	(9,219)	(11,078)	187,440	143,718
OPERATING INCOME	25,334	19,529	14,724	10,890	(134)	(160)	39,924	30,259
Non recurring item	9,936	5,813	-	-	-	-	9,936	5,813
INCOME BEFORE TAXES AND NON CONTROLLING INTEREST	15,398	13,716	14,724	10,890	(134)	(160)	29,988	24,446
Income tax provision	7,897	6,601	10,120	3,743	-	-	18,017	10,344
Non controlling interest	-	-	(120)	-	-	-	(120)	-
NET INCOME FOR THE YEAR	\$ 7,501	\$ 7,115	\$ 4,724	\$ 7,147	\$ (134)	\$ (160)	\$ 12,091	\$ 14,102

	Wealth Management		Corporate		Intersegment		TOTAL	
	1999	1998	1999	1998	1999	1998	1999	1998
ASSETS								
Cash and short term investments	\$ 90,943	\$ 14,162	\$ 12,055	\$ 35,559	\$ -	\$ -	\$ 102,998	\$ 49,721
Brokerage securities inventory	47,506	17,791	-	-	-	-	47,506	17,791
Accounts receivable	35,645	15,966	6,533	4,549	-	-	42,178	20,515
Client accounts receivable	219,003	81,088	-	-	-	-	219,003	81,088
Investment portfolio	9,253	2,835	510,996	487,516	-	-	520,249	490,351
Deferred sales commissions	82,855	73,227	15,410	30,385	-	-	98,265	103,612
Capital and other assets	97,365	13,971	33,802	34,705	-	-	131,167	48,676
TOTAL ASSETS	\$ 582,570	\$ 219,040	\$ 578,796	\$ 592,714	\$ -	\$ -	\$ 1,161,366	\$ 811,754
LIABILITIES								
Accounts payable and accrued liabilities	\$ 60,795	\$ 19,930	\$ 7,682	\$ 6,847	\$ -	\$ -	\$ 68,477	\$ 26,777
Brokerage securities sold short	15,275	643	-	-	-	-	15,275	643
Due to parent	18,043	14,235	-	-	(18,043)	(14,235)	-	-
Client deposits and related liabilities	236,755	71,320	-	-	-	-	236,755	71,320
Deferred acquisition obligations	7,682	3,976	-	-	(2,284)	-	5,398	3,976
Current taxes payable	12,928	923	12,300	6,602	-	-	25,228	7,525
Corporate debt	49,988	6,792	154,994	154,610	-	-	204,982	161,402
Future income tax liability	8,376	29,234	60,300	26,903	-	-	68,676	56,137
Non controlling interest	17,203	-	-	-	-	-	17,203	-
TOTAL LIABILITIES	\$ 427,045	\$ 147,053	\$ 235,276	\$ 194,962	\$ (20,327)	\$ (14,235)	\$ 641,994	\$ 327,780

* Intersegment transactions are recorded at their estimated fair values.

13. ACCOUNTING CHANGES

Income Taxes

During 1999, the Company elected early adoption of the new recommendations of The Canadian Institute of Chartered Accountants with respect to accounting for income taxes. This change has been applied as of January 1, 1999. The Company's financial statements for 1998 have not been restated.

Under these new recommendations, the liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and measured using the tax rates and laws that will be in effect when the differences are expected to reverse. Previously, income tax expense was determined using the deferral method of tax allocation. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and measured at the tax rate in effect in the year the difference originated.

The cumulative effect of adopting this new recommendation was to decrease retained earnings by \$16,055,000 at January 1, 1999.

Income tax expense during 1999 increased by approximately \$2,189,000 as a result of the adoption of the new recommendation.

Certain of the Company's equity accounted investees are expected to implement the requirements of the new accounting recommendations during 2000. Adoption of the new recommendations by equity accounted investees may result in a charge against the investees' opening retained earnings. The Company will record its proportionate share in any opening retained earnings adjustments of the investees through a further adjustment in the Company's opening retained earnings as of January 1, 2000.

Deferred sales commissions

Effective January 1, 1999, the Company no longer applies redemption revenues received against the unamortized balance of deferred sales commissions. Redemption revenues are now recognized in income on the settlement date of the redemption of the applicable mutual fund units. This new policy is consistent with the accounting policy adopted by the Company's main operating subsidiary, Dundee Wealth. The change has been applied retroactively. The effects of this change are as follows:

	1999	1998
Increase in revenue and expenses:		
Redemption revenue	\$ 24,738	\$ 24,272
Amortization of deferred sales commissions	12,787	7,947
Income taxes	5,285	7,284
Net income	6,666	9,041
Increase in assets and liabilities:		
Deferred sales commissions	\$ 47,199	\$ 35,248
Future income tax liability	21,012	15,727
Retained earnings	26,187	19,521

14. NON RECURRING ITEM

A subsidiary of the Company had an employee incentive arrangement whereby certain key employees of the subsidiary participated in the profits of its investment counselling division. In the event of departure of an employee, a change in control of the subsidiary, the buyout by the Company of an employee's interest, or the termination of the employee incentive arrangement, the employee was entitled to an amount equal to a multiple of the average of the earned share of profits of the subsidiary for the current and previous fiscal period. During the year, the Company exercised the termination provisions of the agreement at a cost of \$9,936,000.

In 1998, the Company incurred \$5,813,000 of expenditures associated with the restructuring of its investment counselling division and its decision to withdraw from offering investment management services to segregated pension funds.

DUNDEE BANCORP INC.
STATEMENT OF CORPORATE GOVERNANCE PRACTICES

In May 1995, The Toronto Stock Exchange adopted a by-law (the "TSE By-law") with respect to the corporate governance of listed companies. The TSE By-law was passed in response to the Report of The Toronto Stock Exchange Committee on Corporate Governance in Canada dated December 1994 (the "TSE Report"). The TSE By-law contains a set of guidelines which are intended to assist listed companies in their approach to corporate governance but does not require listed companies to comply with these guidelines. However, pursuant to the TSE By-law, listed companies must annually disclose their approach to corporate governance. In November 1999, the TSE By-law was amended to require listed companies to specifically refer to each of the guidelines in their disclosure of their approach to corporate governance.

The TSE Report paid a considerable amount of attention to the make-up and independence of the board of directors of a company. The TSE Report defines an unrelated director to be a director who is independent of management and is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of a company, other than interests arising from shareholding. Major shareholders are not considered to be related directors. A significant shareholder is defined to be a shareholder who has the right to vote the majority of the outstanding voting rights for the election of directors.

The following disclosure sets out the Company's approach to corporate governance during fiscal 1999:

1. *The Board should explicitly assume responsibility for stewardship of the Company and, as part of the overall stewardship responsibility, should assume responsibility for the following matters:*

The board of directors of the Company (the "Board"), directly and through its committees, carries out its functions as proxy for the shareholders and stakeholders of the Company with the objective of enhancing shareholder value consistent with its social responsibilities. The Board operates pursuant to the mandate set out in the *Ontario Business Corporations Act*, which is to institute and monitor the policies and procedures by which the Company operates its business, and acts with a view to the best interests of the Company. The Board together with management of the Company establish these policies and procedures and the Board assesses the execution by management of its objectives and the results obtained.

- 1(a) adoption of a strategic planning process;*

Management of the Company presents to the Board its strategic plan for the Company. The Board reviews the strategic direction of the Company on a continuing basis and receives an update on the status of the affairs of the Company and of all major programs from management of the Company at each meeting of the Board. Any material deviations from the strategic plan are reported to and considered by the Board.

- 1(b) the identification of the principal risks of the Company's business and ensuring the implementation of appropriate systems to manage these risks;*

Inherent in the Board's supervision of the strategic direction and operating performance of the Company is the identification and understanding of the principal risks of the Company's business and the oversight of management's implementation of systems to manage and minimize those risks.

- 1(c) succession planning, including appointing, training and monitoring senior management;*

The Chairman, President and Chief Executive Officer of the Company evaluates senior management on an ongoing basis and reports to the Board when necessary. The Corporate Governance Committee reviews on an annual basis, or as necessary, succession planning issues with the Chairman, President and Chief Executive Officer of the Company.

- 1(d) a communications policy for the Company; and*

The Board has established that communications with the stakeholders of the Company is to be undertaken solely by the Chairman and Chief Executive Officer of the Company or as delegated by him. The Board does not communicate with either the investment community or stakeholders directly. The Corporate Governance Committee reviews the communications policy of the Company with its stakeholders to ensure its effectiveness.

The Company endeavours to keep its shareholders informed of its progress through a comprehensive annual report, quarterly interim reports and periodic press releases. The Company also maintains a web site that provides summary information on the Company and ready access to press releases and statutory filings. Although the Company does not have an investor relations department, all shareholder or investment community inquiries are directed to the Corporate Secretary and Chief Financial Officer of the Company. Shareholder inquiries are responded to promptly by the appropriate individual within the Company.

- 1(e) the integrity of the Company's internal control and management information systems.*

The Board, through the Audit Committee, assesses the integrity of the Company's internal controls and management information systems. Management of the Company is responsible for the design, implementation and maintenance of the internal controls and information systems and the Audit Committee is responsible for ensuring that management has done so.

- 2. The Board should be constituted with a majority of individuals who qualify as unrelated directors.*

At December 31, 1999, the Board was composed of ten members. The Board has concluded that seven of the ten members were unrelated. By the definition contained in the TSE By-law, Ned Goodman is a significant shareholder of the Company as his shareholdings, on a partially diluted basis, represent a voting interest of 66.1% and an equity interest of 7.1%. Members of his family have an additional voting interest of 12.8% and an equity interest of 11.9%. The proportion of the Board comprised of unrelated directors exceeds a majority of the Board.

3. *The Board will also be required to disclose on an annual basis the analysis of the application of the principles supporting the conclusion in item 2 above.*

Only three officers of the Company sit on the Board, those being the Chairman, President and Chief Executive Officer, Ned Goodman, the Vice Chairman, Garth MacRae and an Executive Vice President, Jonathan Goodman. The Board believes that it is important for these senior executives of the Company to be on the Board and be involved in Board deliberations and to have the same obligations, responsibilities and liabilities as the rest of the directors of the Company. All other directors of the Company are considered to be independent of management and free from any interest or other business relationship that may interfere with the director's ability to act with a view to the best interests of the Company.

4. *The Board should appoint a committee of directors composed exclusively of outside, i.e. non-management directors, a majority of whom are unrelated directors with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.*

The mandate of the Corporate Governance Committee includes proposing to the full Board new nominees to the Board and reviewing and assessing, on an annual basis, the directors of the Company. The majority of the members of the Corporate Governance Committee are outside and unrelated directors. Mr. Garth MacRae, a member of the Corporate Governance Committee and the Vice-Chairman of the Company, is a related director.

5. *The Board should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.*

The mandate of the Corporate Governance Committee includes assessing the performance and effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual director of the Company. The Corporate Governance Committee also reviews and assesses the quality of the relationship between management and the Board and recommends improvements where necessary.

6. *The Company, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the Board.*

While no formal orientation and education program is in place for new recruits to the Board, new directors of the Company meet with management and other directors of the Company to familiarize themselves with the business of the Company and their responsibilities as directors. In addition, management distributes certain information to new directors including, among other things, information about the Company and its affiliates and the reporting requirements of the directors of the Company.

7. *The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.*

One of the mandates of the Corporate Governance Committee is to examine the size of the Board with a view to determining the impact of the number of directors of the Company upon the effectiveness of the Board. The Board is currently made up of ten individuals who have a diverse background bringing great functional experience to the Board for the assistance of management. It is the view of the Corporate Governance Committee, the Board and management of the Company that the current size and representation of the Board is appropriate in order for the Board to perform its duties and responsibilities effectively.

8. *The Board should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.*

The Compensation Committee periodically reviews the adequacy and form of the compensation of the directors of the Company to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director. The Compensation Committee is also responsible for administering the Company's share incentive plan and reviewing and making recommendations with respect to the compensation of senior executives of the Company.

9. *Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated directors, although some Board committees, such as the Executive Committee, may include one or more inside directors.*

The Company does not have an Executive Committee. Each of the Audit Committee and the Corporate Governance Committee is composed of a majority of outside and unrelated directors. The Compensation Committee is comprised of four directors of which two are outside and unrelated directors.

10. *The Board should expressly assume responsibility for, or assign to a committee of directors the general responsibility for, developing the Company's approach to governance issues.*

The Corporate Governance Committee is responsible for, among other things, overseeing and making recommendations to the directors of the Company on developing the approach of the Company to corporate governance issues. The Corporate Governance Committee is also responsible for formulating the response of the Company to the corporate governance guidelines and disclosure requirements adopted by The Toronto Stock Exchange on issues of corporate governance.

- 11(a) *The Board, together with the CEO, should develop position descriptions for the Board and for the CEO, involving the definition of limits to management's responsibilities.*

- (i) *the Board;*

The Board operates pursuant to the mandate set out in the *Ontario Business Corporations Act*, which is to supervise the management of the business and affairs of the Company. The Board also seeks to act with a view to the best interests of the Company. Although the Board has no formal policy nor grant of authority setting out what specific matters must be brought by management to the Board for approval, there is a clear understanding between management and the Board through historical Board practice and accepted legal practice that all transactions or matters of material nature must be presented by management for approval by the Board. It has been the experience to date of the Board that they have been kept well informed as to the business and affairs of the Company and that the matters which have been brought forward to the Board for approval have been appropriate.

- (ii) *the CEO.*

While the Chief Executive Officer of the Company does not have a specific written position description, the objectives of the Chief Executive Officer are reviewed and discussed annually with the Board and include the general mandate to manage the Company and to maximize shareholder value.

- 11(b) *The Board should approve or develop the corporate objectives that the CEO is responsible for meeting.*

The general corporate objectives of the Chief Executive Officer of the Company are reviewed by the Board.

12. *The Board should have in place appropriate structures and procedures to ensure that the Board can function independently of management. The Company should appoint a Chairman who is independent of management or assign responsibilities to a "Lead Director".*

Ned Goodman is the Chairman of the Board and the President and Chief Executive Officer of the Company. In the view of the Corporate Governance Committee and the Board, the Board has and continues to act independently of management notwithstanding the fact that Mr. Goodman occupies both offices of Chairman and Chief Executive Officer. In addition, the Board views the involvement of Mr. Goodman, the controlling shareholder of the Company, in the business and affairs of the Company, including the day-to-day operations of the Company as being important. When necessary or desirable, the Board has established committees composed of directors who are considered to be independent with respect to the issues to be reviewed and determined.

- 13(a) *The roles and responsibilities of the Audit Committee should be specifically defined so as to provide appropriate guidance to Audit Committee members as to their duties.*

The Audit Committee is responsible for reviewing the Company's financial reporting procedures and internal controls. The Audit Committee also reviews and reports to the Board with respect to the design and implementation by management of the Company of effective internal control systems and on all financial statements of the Company (including interim financial statements) prepared by the Company. The Audit Committee also discusses with management the Company's policies and procedures for risk management, reviews audit plans, meets independently with the internal and external auditors on a quarterly and annual basis and reviews the performance of and communication with the external auditors of the Company.

- 13(b) *The Audit Committee of the Board should be composed only of outside directors.*

The Audit Committee is made up of three directors, the majority of which are outside and unrelated directors.

14. *The Board should implement a system that enables an individual director to engage an outside advisor at the expense of the Company in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the Board.*

The Company does not have a formal system in place, however, individual directors of the Company have in the past engaged, and are encouraged to engage, outside advisors when necessary. The mandate of the Corporate Governance Committee includes determining if an individual director of the Company should retain, at the expense of the Company, an independent adviser and the terms and conditions of such retainer.



CIBC WORLD MARKETS INC.
BCE Place, P.O. Box 500
161 Bay Street
Toronto ON M5J 2S8
Tel: 416-594-7000

November 8, 1999

The Special Committee of the Board of Directors
Peelbrooke Capital Inc.
Suite 5700, Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 4A9

Attention: Robert McLeish
Chairman of the Special Committee

Dear Sirs:

1. INTRODUCTION

CIBC World Markets Inc. ("CIBCWM", "we", "us" or "our") understands that on August 5, 1999, Peelbrooke Capital Inc. ("Peelbrooke" or the "Company") entered into a non-binding letter of intent with Dundee Wealth Management Inc. ("DWM") and Dundee Bancorp Inc., ("DBI" and, together with DWM, the "Offerors") pursuant to which the Offerors would acquire all of the outstanding common shares of Peelbrooke (the "Peelbrooke Shares") other than those Peelbrooke Shares owned by the Offerors and their affiliates (the "Proposed Transaction"). Under the terms of the Proposed Transaction, Peelbrooke shareholders will receive as consideration for each Peelbrooke Share: 0.3 of a DWM common share (a "DWM Share"); 0.3 of a DWM warrant to purchase one DWM Share exercisable for a 3-year period at \$10.00 per share (a "DWM Warrant"); 0.2 of a DBI class A subordinate voting share (a "DBI Share") and \$1.50 cash. The specific terms and conditions of the Proposed Transaction are more fully set out in the November 7, 1999 draft of the take-over bid circular of the Offerors (the "Circular") and in the draft Support Agreement dated November 7, 1999 between DBI, DWM and Peelbrooke (the "Support Agreement"), a copy of which are attached to the Circular.

We understand that as at November 5, 1999, Dundee Bancorp and its affiliates exercised control or direction over 1,763,488 Peelbrooke Shares representing 35.2% of the outstanding Peelbrooke Shares. We also understand that the Proposed Transaction is considered an "insider bid" as such term is defined in Policy Statement No. 9.1 of the Ontario Securities Commission ("Policy 9.1") and in Policy Statement Q-27 of the Commission des valeurs des mobilières du Québec ("Policy Q-27" and, together with Policy 9.1, the "Policies"). The Board of Directors of Peelbrooke has appointed a committee of its Directors (the "Special Committee") to conduct a review of the Proposed Transaction and to make recommendations concerning the Proposed Transaction to the Board of Directors of Peelbrooke.

CIBCWM has been engaged as the financial advisor to the Special Committee to provide a valuation, which will include a valuation of the Company and any non-cash consideration to be received (the “Valuation”), and an opinion as to the fairness, from a financial point of view, of the Proposed Transaction (the “Fairness Opinion”) to the Peelbrooke Shareholders (other than the Offerors and their affiliates).

BACKGROUND TO CIBC WORLD MARKETS INC. ENGAGEMENT

Peelbrooke first contacted CIBCWM regarding its interest in preparing the Valuation and Fairness Opinion on August 18, 1999. Discussions ensued with respect to the Proposed Transaction and the business terms under which CIBCWM would provide the requisite services. Subsequently, under the terms of an engagement letter dated September 29, 1999, CIBCWM was formally engaged to prepare the Valuation and the Fairness Opinion.

The engagement letter provides for payment to CIBCWM of \$300,000 for its services in the preparation and delivery of the Valuation and the Fairness Opinion. In addition, CIBCWM is to be reimbursed for its reasonable out-of-pocket expenses and be indemnified by Peelbrooke in respect of certain liabilities which may be incurred by CIBCWM in connection with the provision of its services. No part of CIBCWM’s fee is contingent upon the conclusions reached in the Valuation or in the Fairness Opinion or on the success of the Proposed Transaction.

CREDENTIALS OF CIBC WORLD MARKETS

CIBCWM is one of Canada’s largest investment banking firms with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. CIBCWM provides services to companies in the financial services sector directly through its research analysts and through investment banking professionals based in Canada. CIBCWM has participated in a number of sizeable transactions in the financial services sector and has extensive experience in preparing valuations and fairness opinions.

The opinions expressed herein are the opinions of CIBCWM. The form and content hereof has been prepared by professionals specializing in financial services and investment banking activities, and has been reviewed and approved by a committee of directors and professionals of CIBCWM, each of whom is experienced in valuation and fairness opinion matters.

INDEPENDENCE OF CIBC WORLD MARKETS

None of CIBCWM or its affiliates is an insider, associate or affiliate (as those terms are defined in the Securities Act (Ontario) (the “Act”)) of DBI, DWM or Peelbrooke, any of their respective affiliates or any other “interested party” as such term is defined in Policy 9.1 (collectively the “Interested Parties”). Except as financial advisor to the Special Committee of Peelbrooke and as to the provision of the Valuation and the Fairness Opinion, CIBCWM is not acting on behalf of any of the Interested Parties with respect to the Proposed Transaction. CIBCWM has, in the 24 months preceding the commencement of this engagement, participated in a syndicate of underwriters that purchased from DBI a \$101.5 million issue of 2,500,000 DBI Shares on October 17, 1997, and in a syndicate of underwriters that purchased from DBI \$150 million of 6.70% Senior Debentures due September 24, 2007 on September 24, 1997. In addition, Canadian Imperial Bank of Commerce, parent company of CIBCWM, has an amortizing term bank loan with \$15.1 million principal outstanding to Infinity Investment Counsel Ltd., a wholly-owned subsidiary of Infinity Funds Management Inc. (“IFMI”), a wholly-owned subsidiary of DWM.

CIBCWM and its affiliates act as a trader and dealer, both as principal and agent, in all major financial markets in Canada and the United States and, as such, may have had and may today or in the future have positions in securities of the Interested Parties and, from time to time, may have executed or may execute transactions on behalf of the Interested Parties or on behalf of other clients for which it has received or may receive compensation. In addition, as an investment dealer, CIBCWM conducts research on securities and may, in the ordinary course of business, be expected to provide research reports and investment advice to its clients on issues and investment matters including research and advice concerning one or more of the Interested Parties.

CIBCWM does not have any agreements, commitments or understandings in respect of any future business involving any of the Interested Parties. However, CIBCWM may, from time to time in the future, in the ordinary course of business, perform financial advisory or investment banking services for, and may provide financial services, to one or more of the Interested Parties.

CIBCWM confirmed to the Special Committee that it is of the opinion that it is “independent” as required in order to complete this report as “independence” is contemplated by the Policies.

BENEFITS TO DBI AND DWM OF ACQUIRING PEELBROOKE

In compliance with the Policies, we considered whether any distinctive material advantages might accrue to DBI and/or DWM as a result of the Proposed Transaction. In our opinion, the Proposed Transaction will not create any such significant advantages other than certain minor cost savings resulting from the utilization of losses available for tax purposes which would accrue to DBI and/or DWM as discussed below under “Assumptions and Limitations”.

II. SCOPE OF REVIEW

In carrying out this assignment, CIBCWM requested information from the senior management of each of the Interested Parties as outlined in “Background Information”. CIBCWM was afforded full access to all of the information which we requested.

BACKGROUND INFORMATION

CIBCWM obtained background information from public sources, from Peelbrooke, DBI and DWM and from certain reports and information prepared by independent consultants. The following sets forth the principal documents CIBCWM reviewed and, where it considered appropriate, relied upon:

- (i) the November 7, 1999 draft of the Circular;
- (ii) the November 7, 1999 draft of the Support Agreement;
- (iii) the November 8, 1999 draft of the Peelbrooke Directors’ Circular;
- (iv) compilation report on Pro forma Combined Financial Statements of DWM contained in the Circular;
- (v) audited consolidated financial statements for Dynamic Mutual Funds Ltd. (“DMFL”), a wholly-owned subsidiary of DWM, for the five years ended December 31, 1998;
- (vi) audited financial statements for Dundee Securities Corporation (“DSC”), a wholly-owned subsidiary of DWM (formerly Dundee Capital Markets Ltd., and prior to that Eagle & Partners

Inc.) for the five years ended December 31, 1998 and the unaudited balance sheet for Deacon Capital Corporation as at December 31, 1998;

- (vii) audited financial statements of Dundee Private Investors Inc. ("DPI"), a wholly-owned subsidiary of DWM (formerly Private Investors Management Inc.) for the five years ended December 31, 1998;
- (viii) audited consolidated financial statements for IFMI for the two years ended December 31, 1998;
- (ix) audited consolidated financial statements for 170399 Canada Inc., formerly Fortune Financial Management Inc. ("FFMI"), of which certain assets were acquired by DWM on August 30, 1999, for the five years ended September 30, 1998;
- (x) unaudited quarterly financial statements for each of Peelbrooke and DBI for the periods ended March 31, 1999 and June 30, 1999, and a draft of the quarterly financial statements of Peelbrooke for the period ending September 30, 1999;
- (xi) unaudited financial statements for each of DMFL, DSC, DPI, IFMI and FFMI for the four months ended April 30, 1999;
- (xii) unaudited balance sheets for DWM as at August 30, 1999, April 30, 1999 and December 31, 1998;
- (xiii) the Annual Information Form for Peelbrooke dated April 30, 1999 and for Marleau, Lemire Inc. (the former name of Peelbrooke) dated May 5, 1998;
- (xiv) the Annual Information Form for DBI dated May 19, 1999;
- (xv) the Notice of Meeting and Management Information Circular for each of IFMI and FFMI dated August 11, 1999 and August 23, 1999, respectively;
- (xvi) certain current and historical public stock market and financial data on comparable publicly traded companies to Peelbrooke, DBI and DWM and other relevant current and historical stock market data;
- (xvii) selected publicly available information of a general nature relevant to the mutual fund industry in Canada;
- (xviii) certain internal financial analyses and forecasts for each of Peelbrooke and DWM prepared by their respective managements;
- (xix) certain financial and stock market information relating to Peelbrooke and DBI, including certain investments of DBI included in its merchant banking portfolio, and similar information relating to certain other comparable companies the securities of which are publicly traded;
- (xx) other publicly available information regarding the Company and DBI;
- (xxi) certificates, dated as at the date hereof, from officers of Peelbrooke attesting to the accuracy and completeness of certain information provided to CIBCWM; and
- (xxii) such other information, investigations and analyses as we considered appropriate in the circumstances.

INTERVIEWS AND DISCUSSIONS

In addition to the information above, CIBCWM conducted interviews and discussions with management of Peelbrooke, DBI and DWM with respect to such matters as CIBCWM considered necessary or appropriate, including the expected benefits of the Proposed Transaction, the material businesses of the Interested Parties,

their material assets and liabilities (contingent or otherwise), and tax and other issues relating to the businesses of the Interested Parties.

CIBCWM was granted access by Peelbrooke, DBI and DWM to their respective senior management groups and advisors and was not, to our knowledge, denied any information that it requested in respect of any of those companies.

Senior officers of Peelbrooke, DBI and DWM have also advised us that, to the best of their knowledge, after diligent enquiry, there have been no prior valuations of Peelbrooke, DBI or DWM as defined in Regulation 1015 made under the Act during the two years prior to the date hereof.

III. ASSUMPTIONS AND LIMITATIONS

With the Special Committee's approval and subject to the exercise of our professional judgement, CIBCWM has relied upon and assumed the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by us from public sources or provided to us by DBI, DWM or Peelbrooke or any of their affiliates or associates, consultants and advisors (collectively the "Information"). This report is conditional upon such completeness, accuracy and fairness. CIBCWM has assumed that the financial analyses and forecasts of Peelbrooke and DWM provided to us by management represent their best estimates of the most probable results for such companies for the periods presented therein and CIBCWM used such estimates and forecasts in preparing its own estimates of certain matters as discussed below under the heading "Principles of Valuation of the Peelbrooke Shares and Consideration to be Received". Subject to the exercise of our professional judgement and except as expressly described herein, CIBCWM has not attempted to independently verify the accuracy or completeness of any of such Information, and nothing came to our attention which we considered warranted such verification.

Senior officers of Peelbrooke have represented to CIBCWM that there has been no material change or material fact (as such terms are defined in the Act) relating to any of the information, data, advice, opinions and representations provided to CIBCWM by or on behalf of Peelbrooke, other than the Proposed Transaction, that has not been disclosed to us and that no change has occurred in the facts set out or referred to in any such information subsequent to the date thereof which would reasonably be expected to have a material effect on this report and that they are not aware of any facts not disclosed to CIBCWM which would reasonably be expected to materially affect this report.

In preparing this report, CIBCWM has made several other assumptions, including that all of the conditions required to implement the Proposed Transaction will be satisfied, that the Proposed Transaction will proceed as described, substantially within the time frames specified in the Circular, and that the disclosure provided in the Circular with respect to the Proposed Transaction, the parties thereto and the securities of DWM and DBI to be issued under the Offer is accurate in all material respects and contains no misrepresentation, as such term is defined in the Act.

This report was prepared on the basis of securities markets, economic and general business and financial conditions prevailing as at the close of business on November 5, 1999 and the condition and prospects, financial or otherwise, of the Company as they were reflected in the information and documents reviewed by CIBCWM and as they were represented to us in our discussions with management of the Company.

The valuation methodology employed by CIBCWM requires the development of long-range financial projections for each of the Company, and DWM which reflect numerous assumptions regarding the impact of general economic and industry conditions on the future financial results of such companies. While CIBCWM believes the assumptions used are appropriate in the circumstances, some or all of the assumptions may prove to be incorrect.

CIBCWM believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all factors and analyses together, could create a misleading view of the processes underlying this report. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. In connection with the preparation of this report, CIBCWM made numerous assumptions in its analyses with respect to general business and economic conditions and other matters, many of which are beyond the control of any party involved in the Proposed Transaction.

IV. DESCRIPTION OF BUSINESS OF PEELBROOKE CAPITAL INC., DUNDEE WEALTH MANAGEMENT INC. AND DUNDEE BANCORP INC.

DESCRIPTION OF PEELBROOKE

Prior to January 1998, the Company, through its subsidiaries, was an integrated financial services company engaged in securities brokerage and trading, investment banking and securities underwriting, research, asset management, making investments as principal, and other financial services. In January 1998, the Company announced that the operations of its principal operating subsidiary, Marleau, Lemire Securities Inc. ("MLS"), were to be wound down and that the remaining capital of MLS would be redeployed in a new business venture. All of the existing client assets of MLS were transferred to other brokerage firms and all of the licenses, memberships and registrations of Peelbrooke and its subsidiaries were terminated. Throughout 1998 and 1999, Peelbrooke was engaged in the orderly wind-down of its commercial brokerage activities and liquidation of brokerage-related assets. In 1999, Peelbrooke announced its intention to pursue a new on-line banking initiative and engaged external consultants to perform a feasibility study. This initiative is still in the initial stages of development and is not as yet contributing to Peelbrooke's financial results.

(i) *Trading Range and Volume of Shares*

The Peelbrooke Shares were listed on the Toronto Stock Exchange ("TSE") and Montreal Exchange ("ME") under the symbol PBI. The Peelbrooke Shares were suspended from trading on both the TSE and the ME from August 5, 1998 until August 4, 1999, when the Peelbrooke Shares were delisted from such exchanges. From August 5, 1998 to September 13, 1999 the Peelbrooke Shares traded over the counter, without quotation, on the Canadian Dealing Network Inc. under the symbol PBKI. On September 21, 1999, the Peelbrooke Shares commenced trading on the Winnipeg Stock Exchange. The following table sets forth, for the periods indicated, the reported high and low trading prices and the aggregate volume of trading of the Peelbrooke Shares:

	<u>High</u>	<u>Low</u>	<u>Volume</u>
<u>1998</u>			
October	\$5.00	\$4.50	45,865
November	\$4.50	\$4.50	6,732
December	\$5.00	\$4.00	106,362
<u>1999</u>			
January	\$5.20	\$5.00	30,585
February	\$5.60	\$5.00	185,298
March	\$6.10	\$5.40	61,297
April	\$6.10	\$5.40	30,858
May	\$6.40	\$5.40	217,070
June	\$7.00	\$6.20	24,632
July	\$7.40	\$7.00	34,233
August	\$7.20	\$6.60	213,253
September	\$6.75	\$6.40	26,399
October	\$6.55	\$6.00	21,731
November (to November 5)	\$6.75	\$6.50	6,423

On August 3, 1999, the last trading day immediately preceding the public announcement of the Offer, the last trading price of the Peelbrooke Shares on the Canadian Dealing Network Inc. was \$7.00.

(ii) *Review of Historical Results of Operations*

Set out in a chart below is a summary of Peelbrooke's historical results from operations and financial position from December 31, 1994 to September 30, 1999:

Statement of Operations Data	9 months ending 9/30/99 (estimated)	Year ended December 31,				
		1998	1997	1996	1995	1994
Gross Revenues	\$977	\$4,954	\$25,550	\$32,001	\$28,364	\$36,026
Net Earnings (loss)	(\$250)	(\$6,535)	(\$10,794)	(\$730)	(\$5,185)	\$4,253

Balance Sheet Data	As at 9/30/99 (estimated)	As at December 31,				
		1998	1997	1996	1995	1994
Total Assets	\$28,787	\$30,839	\$104,526	\$127,835	\$155,871	\$224,916
Working Capital	26,898	27,775	34,678	44,285	44,216	38,249
Shareholders' Equity	27,007	28,056	35,293	47,786	52,802	59,628
Book Value Per Share	\$5.39	\$5.48	\$6.66	\$8.58	\$9.14	\$9.81
Total Shares Outstanding ('000)	5,010	5,124	5,298	5,566	5,778	6,079

Source: Based on Peelbrooke audited financial statements

DESCRIPTION OF DUNDEE WEALTH MANAGEMENT INC.

DWM is a financial services holding company with its businesses carried out through wholly-owned operating subsidiaries. DWM has three main businesses: capital markets, comprised of institutional sales and trading, equity research and investment banking; retail distribution; and, investment management. On August 30, 1999, DWM acquired IFMI and certain assets from FFMI. These acquisitions increased DWM's assets under management and expanded its retail distribution capabilities. See "Dundee Wealth Management Inc. – Recent Acquisitions" for further details relating to these acquisitions. Through its full service integrated investment dealer, DSC, and other subsidiary companies, DWM provides a broad range of financial products and services to individuals, institutions and corporations. The capital markets business is carried on by DSC. The retail distribution business is carried on by DSC and DPI. The investment management business is carried on by DMFL and IFMI.

DESCRIPTION OF DUNDEE BANCORP INC.

In July 1999, DBI announced the reorganization of its financial services assets and the creation of DWM (the "Reorganization"). In exchange for transferring its interests in DMFL, DPI and DSC to DWM, DBI received 46 million DWM Shares, 3.65 million DWM series X preferred shares and 2 million DWM warrants. DWM is engaged in the creation and distribution of mutual funds and other investment products and the provision of financial planning and investment advisory services in Canada. DBI currently owns approximately 87.7% of the common shares of DWM. If the Proposed Transaction is completed, DBI would own, on a pro forma basis, approximately 85.3% of the common shares of DWM. In addition to DBI's investment in DWM, DBI

beneficially owns, directly or indirectly through its subsidiaries, a variety of portfolio and merchant banking investments including equity investments in Breakwater Resources Ltd., Black Hawk Mining Inc., Corona Gold Corporation, Dundee Realty Corporation, Eurogas Corporation, Valdez Gold Inc. and Zemex Corporation (the “Merchant Banking Portfolio”). Over 90% of DBC’s Merchant Banking Portfolio is invested in the securities of publicly listed corporations that are involved in either real estate, base metals, oil & gas, gold, financial services or technology industries. Profits generated from DBI’s Merchant Banking Portfolio have been used to grow DBI’s wealth management business and to repurchase DBI shares. Historical financial statements for DBI and pro forma historical financial statements for DWM are provided in the Circular and in DBI’s documents incorporated by reference therein.

V. PRINCIPLES OF VALUATION OF THE PEELBROOKE SHARES AND CONSIDERATION TO BE RECEIVED

DEFINITION OF FAIR MARKET VALUE

The Valuation has been prepared based on techniques that CIBCWM considers appropriate in the circumstances, after considering all relevant facts and taking into account our assumptions, in order to arrive at the “fair market value” of the Peelbrooke Shares, the DWM Shares, the DWM Warrants and the DBI Shares. In this context and for the purposes of the Valuation, “fair market value” is defined as the highest price available in an open and unrestricted market between informed, prudent parties, acting at arm’s length and under no compulsion to act, expressed in terms of money or money’s worth. In the context of Peelbrooke, we have valued the Peelbrooke Shares as if the Company were sold ‘en bloc’ to an arms length acquiror. In the context of the DBI Shares, the DWM Shares and the DWM Warrants, we have valued the consideration received in terms of what an individual shareholder would receive in the public markets, which value would not include an “en bloc” premium. In this respect, reference should be made to the “Scope of Review” and “Assumptions and Limitations” set out above to determine the foundation upon which the Valuation is based. As previously stated, our analysis should be considered as a whole and selecting portions of our analysis or itemizing factors considered by CIBCWM, without considering all of the factors and analysis together, may not provide appropriate conclusions for those selected portions of such factors and analysis.

APPROACH AND VALUATION METHODOLOGY: PEELBROOKE

CIBCWM considered several approaches to the valuation of the Peelbrooke Shares, including a market-based approach, a recent precedent transactions approach, and a net asset value (“NAV”) approach. The market-based approach involved a review of the Company’s trading history over the twelve month period prior to announcement of the Proposed Transaction. In view of the absence of an active market for the Peelbrooke Shares, CIBCWM concluded that the August 3, 1999 market price of \$7.00 was not an appropriate measure of the underlying value of the Peelbrooke Shares.

CIBCWM also considered recent precedent transactions in the financial services sector; however, given the limited scope of Peelbrooke’s operating activities we concluded that a precedent transactions approach was also not the most appropriate valuation approach.

CIBCWM concluded that a net asset value (“NAV”) approach to the valuation of Peelbrooke Shares was the most appropriate approach to our analysis. CIBCWM calculated a range of values for the Peelbrooke Shares based on a combination of the Company’s book value per share and a range of values for certain losses available for tax purposes. CIBCWM ascribed no value to Peelbrooke’s on-line banking initiative due to its early stage of development and the absence of any contribution to financial results.

(i) *Calculation of Book Value*

As at September 30, 1999, the Company's book value per share was \$5.39, based on total shares outstanding of 5,009,526. The book value was comprised primarily of cash of \$26.9 million. Other balance sheet items relate primarily to accounts receivable, inventories and accounts payable relating to the previous financial services business carried on by the Company.

(ii) *Tax Loss Carry Forwards*

CIBCWM estimated a range of potential values for Peelbrooke's non capital losses available for tax purposes between \$0.15 and \$0.20 per dollar of non capital losses on a base of non capital losses of \$13.0 million. Included in Peelbrooke's non capital losses is a reserve of \$3.2 million, based on provisions for pending litigation, asset write downs and non performing loans. CIBCWM ascribed no value to Peelbrooke's net capital losses since they are expected to expire upon a change in control in the Company. Based on this analysis, the implied value of the non capital tax loss carry forwards per Peelbrooke Share is in the range of between \$0.39 and \$0.52.

Based on CIBCWM's analysis the fair market value of the Peelbrooke Shares is in a range of between \$5.78 and \$5.91 per share.

APPROACH AND VALUATION METHODOLOGY: DWM SHARES

CIBCWM considered a number of valuation methodologies with which to determine the fair market value of the DWM Shares, including a review of public market comparables and a discounted cash flow analysis based on a forecast prepared by DWM's management:

(iii) *Comparable Company Trading Analysis*

In order to develop an implied valuation or trading range for the DWM Shares, CIBCWM reviewed the trading multiples of the following comparable companies:

	AUA (billions)	AUM (billions)	Market Cap (millions)	TEV (millions)	TEV/ AUM	TEV/EBITDA			Price /ATCF		
						LTM	1999E	2000E	LTM	1999E	2000E
Integrated Wealth Management Companies											
Investors Group	\$38.9	\$37.9	\$3,890	\$3,678	9.7%	6.2	6.9	6.0	9.2	10.3	9.1
Assante Corporation	22.3	3.3	500	519	15.5%	11.7	9.2	6.6	13.0	9.9	7.1
Guardian Capital	9.7	2.1	116	72	3.4%	5.4	4.1	3.9	10.6	9.6	8.0
				Average	9.6%	7.8	6.7	5.5	10.9	10.0	8.1
Mutual Fund Manufacturers											
Mackenzie Financial	\$34.5	\$28.1	\$2,198	\$1,765	6.3	5.3	5.8	5.1	8.1	7.9	7.1
Trimark Financial	24.5	24.5	1,786	1,541	6.3	4.8	6.3	5.7	9.0	9.1	8.0
CI Fund Management	15.4	14.5	1,058	1,168	8.1	9.8	7.6	6.4	6.5	8.3	5.7
AGF Management	17.6	17.6	882	896	5.1	5.8	5.8	4.8	6.2	5.7	4.7
Strategic Value	3.1	3.1	42	123	3.9	3.9	3.4	2.9	2.2	1.9	1.6
				Average	5.9	5.9	5.8	5.0	6.4	6.6	5.4

Source: 1999E and 2000E estimates based on CIBCWM estimates or a compilation of research analysts' estimates.

CIBCWM assessed the comparability of the above noted wealth management companies to DWM by taking into consideration the size of mutual fund assets under management ("AUM"), size of assets under administration ("AUA"), investment return on AUM, AUM mix, quality of cash flow, distribution channel productivity, historical and potential organic growth, and market capitalization. In our opinion, the most comparable companies to DWM are the public integrated wealth management companies: Investors Group Inc.,

Assante Corporation and Guardian Capital Group Limited. While we considered several valuation ratios in respect of the selected companies, we believe the most relevant valuation ratios for assessing the value of DWM are total enterprise value to forecasted fiscal year 2000 earnings before interest, taxes, depreciation and amortization (“EBITDA”) and current share price to fiscal year 2000 forecasted after-tax operating cash flow (before net working capital additions) (“ATCF”) per share.

Capitalization of Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”)

The capitalization of EBITDA approach involves the application of appropriate multiples to DWM’s EBITDA from operations. Total enterprise value (“TEV”) is defined as the market value of the common and preferred equity of a company plus the book value of its debt net of cash. The value of common equity is determined by subtracting DWM’s debt and preferred equity (net of cash) from TEV. CIBCWM utilized publicly available estimates for comparable companies and used DWM’s forecast of pro forma fiscal year 1999 EBITDA and fiscal year 2000 EBITDA. Based on this analysis and considerations, we believe that an appropriate trading multiple for DWM is in the range of 5.0x to 6.0x fiscal year 2000 forecasted EBITDA. When these multiples are applied to DWM forecasted EBITDA, the resulting valuation range is \$7.50 to \$9.17 per DWM Share.

Capitalization of After-tax Operating Cash Flow before Net Working Capital Additions

The capitalization of operating cash flow approach involves the application of appropriate price to ATCF multiples to DWM’s forecasted fiscal year 2000 ATCF to determine DWM’s equity value on a going concern basis. In this approach, CIBCWM used publicly available consensus research analyst estimates for comparable companies and DWM’s forecast of pro forma fiscal year 1999 ATCF and fiscal year 2000 ATCF. Based on this analysis, we believe an appropriate trading multiple for DWM is in a range of 7.0x to 8.0x fiscal year 2000 estimated ATCF. When these multiples are applied to DWM fiscal year 2000 estimated ATCF, the resulting value range is \$8.07 to \$9.37 per DWM Share.

Summary of Comparable Company Trading Analysis

Based on the market’s focus on forward TEV/EBITDA multiples as the primary measure by which DWM’s comparable companies are valued, CIBCWM has concluded that the TEV/EBITDA valuation methodology is more appropriate than the share price to ATCF approach, resulting in an equity value of between \$7.50 and \$9.17 per DWM Share.

(iv) Discounted Cash Flow (“DCF”) Analysis

The discounted cash flow (“DCF”) approach takes into account the amount, timing and relative certainty of cash flows expected to be generated by a company. This approach requires that certain assumptions be made regarding, among other things, future cash flows, discount rates and terminal values. The possibility that some of the assumptions will prove to be inaccurate is one factor involved in the determination of the discount rate used in establishing a range of values and the relative weighting assigned to the values obtained from this approach. We determined the enterprise value of DWM using a forecast of the estimated unlevered free cash flow from operations of DWM discounted by our estimate of the weighted average cost of capital (“WACC”) of DWM. The weakness of the DCF method is the large degree of conjecture required to formulate operational forecasts as the forecast period lengthens and the resulting necessity to truncate the analysis through a terminal value calculation. CIBCWM calculated the terminal value of DWM after the fiscal year 2003 by applying a range of multiples of the estimated sustainable EBITDA of DWM at that time.

CIBCWM reviewed the financial model for DWM for the years 1999 to 2003 which was used by management of DWM to compile a detailed financial forecast for DWM (the “Base Case Forecast”). The Base Case Forecast is summarized in the following table.

(\$ millions)	Years Ending December 31,				
	1999E Pro forma	2000E	2001E	2002E	2003E
Revenue	243,112	263,186	317,572	395,999	471,419
Expenses	211,243	232,142	273,699	317,406	367,462
EBITDA	85,201	91,448	115,175	156,297	190,459
After-tax Cash Flow from Operations	66,138	72,106	93,900	118,846	142,661
Add: Changes in non-cash working capital	5,686	(3,990)	4,926	(4,420)	(4,012)
Add: After-tax interest expense	505	496	356	215	75
Less: Commissions Paid	22,823	53,364	64,706	78,046	92,077
Less: Capital Expenditures and other Investing Activities	1,731	1,873	1,949	2,031	2,110
Free Cash Flow	47,776	13,375	32,527	34,565	44,536

CIBCWM analyzed each component of the Base Case Forecast and considered a number of key assumptions that impact the future cash flows of DWM:

1. Gross Sales as a Percentage of Opening Assets Under Management

The Base Case Forecast is premised on the assumption that gross sales as a percentage of opening AUM are as follows:

	1999E	2000E	2001E	2002E	2003E
DMFL	13.9%	31.0%	30.0%	29.0%	28.0%
IFMI	11.6%	20.0%	20.0%	20.0%	20.0%

For purposes of this Valuation, CIBCWM considered the sensitivity of the DCF value per DWM Share to changes in gross sales as a percentage of opening AUM. For every 5% change in gross sales as a percentage of opening AUM, the DCF value per DWM Share changes by a range of between \$0.36 and \$0.45.

2. Gross Redemptions as a Percentage of Opening Assets Under Management

Conversely, the Base Case Forecast assumes that gross redemptions as a percentage of opening assets under management will decrease for each of DMFL and IFMI over the forecast period as follows:

	1999E	2000E	2001E	2002E	2003E
DMFL	19.9%	12.0%	13.0%	14.0%	14.0%
IFMI	14.8%	10.0%	10.0%	10.0%	10.0%

For purposes of this Valuation, CIBCWM considered the sensitivity of the DCF value per DWM Share to changes in gross redemptions as a percentage of opening AUM. For every 2.5% change in gross redemptions as a percentage of opening AUM, the DCF value per DWM Share changes by a range of between \$0.11 and \$0.15.

3. Management Fee Ratio

The Base Case Forecast assumes that management fees for each of DMFL and IFMI will remain constant over the forecast period at 1.80% for DMFL and 2.20% for IFMI. For purposes of this Valuation, CIBCWM considered the sensitivity of the DCF value per DWM Share to changes in the management fee ratio. For every 0.05% change in the management fee ratio, the DCF value per DWM Share changes by approximately \$0.40.

4. Market Appreciation of Opening Assets Under Management

The Base Case Forecast assumes that market appreciation of opening AUM will increase in fiscal year 2000 to 7.0%, up from fiscal year 1999 levels of 2.0% for DMFL and 0.0% for IFMI, and remain constant at 7.0% over the forecast period. For purposes of this Valuation, CIBCWM considered the sensitivity of the DCF value per DWM Share to changes in the market appreciation of opening AUM. For every 2.5% change, the DCF value per DWM Share changes by a range of between \$0.68 and \$0.78.

5. Net Sales Growth from Representatives Acquired from FFMI

The Base Case Forecast assumes that net sales growth from representatives acquired from FFMI will increase from 7.0% in fiscal year 1999 to 15.0% by fiscal year 2000. For the period from fiscal year 2001 to fiscal year 2003 net sales are expected to decline by 1.0% in fiscal year 2001 and by 0.5% for each fiscal year thereafter. For purposes of this Valuation, CIBCWM considered the sensitivity of the DCF value per DWM Share to changes in the net sales growth from representatives acquired from FFMI. For every 2.5% change in net sales growth from representatives acquired from FFMI, the DCF value per DWM Share changes by a range of between \$0.43 and \$0.54.

6. Net Growth in Number of Representatives

The Base Case Forecast assumes that the number of representatives will increase 10.0% in fiscal year 2000, 15.0% in fiscal year 2001, 10.0% in fiscal year 2002 and 5.0% thereafter. For purposes of this Valuation, CIBCWM considered the sensitivity of the DCF value per DWM Share to changes in the net growth in the number of representatives. For every 2.5% change, the DCF value per DWM Share changes by a range of between \$0.14 and \$0.17.

7. Revenue Growth for Dundee Securities Corporation

The Base Case Forecast assumes DSC revenue growth of 20.0% in fiscal year 2000, 15.0% in each of fiscal year 2001 and fiscal year 2002 and by 12.0% thereafter and does not include assets acquired from FFMI. For purposes of this Valuation, CIBCWM considered the sensitivity of the DCF value per DWM Share to changes in DSC revenue growth. For every 2.5% change, DCF value per DWM share changes by a range of between \$0.18 and \$0.21.

DCF Calculation

The projected future cash flows of DWM prior to debt service costs and payments of preferred dividends but after provision for cash taxes, capital expenditures, commissions paid on deferred sales charge mutual fund sales and required changes in working capital were discounted on the basis of the estimated WACC of DWM. CIBCWM utilized the Capital Asset Pricing Model ("CAPM") in order to determine the range of appropriate WACC's for DWM. The CAPM approach calculates WACC with reference to the risk-free rate of return, an appropriate borrowing spread to reflect the credit risk of DWM and an estimate of the appropriate equity risk premium for DWM. In selecting the assumed optimal capital structure for DWM, we considered the capital structures of comparable wealth management companies, DWM's forecasted balance sheet and conversations with management regarding DWM's target capital structure. We also considered the availability and predictability of free cash flows with which to service debt to equity ratios observed within the wealth management industry in general.

CIBCWM reviewed the unlevered betas of the following Canadian publicly traded integrated wealth management companies and pure mutual fund companies in order to determine the appropriate beta for DWM: Investors Group Inc., Guardian Capital Group Limited, AGF Management Limited, C.I. Fund Management Inc., Mackenzie Financial Corporation, Strategic Value Corporation and Trimark Financial Corporation.

The assumptions used by CIBCWM in estimating the WACC for DWM are provided below:

Cost of Preferred Equity:	6.00%
Cost of Common Equity:	
Risk-free Rate	6.18%
Market Risk Premium	5.93%
Unlevered Beta	1.2
Relevered Beta	1.2
Cost of Common Equity	13.24%
Optimal Capital Structure	10% Preferred Equity/90% Common Equity
WACC Calculated from Above	12.51%

CIBCWM used a capitalization of EBITDA in fiscal year 2003 in order to calculate the terminal enterprise value of DWM. The multiple used to value terminal enterprise value was in the range of 4.5x to 5.5x.

CIBCWM arrived at DWM's TEV by discounting the future cash flows and the terminal value by DWM's WACC. In order to calculate DWM's common equity value, the book value of the debt and preferred equity of DWM, net of cash, was deducted from DWM's TEV.

Sensitivity Analysis

As part of our DCF analysis, CIBCWM performed sensitivity analysis on two variables used in the DCF calculation: the WACC and the terminal value EBITDA capitalization multiple. The impact of the various factors analyzed is summarized below:

DWM Equity Value per DWM Share			
Discount Rate	Terminal Year EBITDA Multiple		
	4.5X	5.0X	5.5X
12.5%	\$10.57	\$11.65	\$12.74
13.0%	10.37	11.44	12.51
13.5%	10.19	11.24	12.29

Summary of DCF Analysis

CIBCWM considered the sensitivity analysis on the key assumptions included in the Base Case Forecast in its judgement of the DCF value. Using the DCF approach, CIBCWM derived a value per DWM Share in the range of between \$10.37 and \$12.51 per share.

Summary of DWM Share Valuation

In view of (i) our definition of fair market value of the DWM Shares as the value that an individual shareholder would receive in the public markets for such shares and (ii) the fact that the DCF value represents an 'en bloc' value for the DWM Shares which, given the number of DWM Shares to be issued under the Proposed Transaction, is in our view not an appropriate valuation methodology, CIBCWM has relied upon the results of our Comparable Companies Trading Analysis.

APPROACH AND VALUATION METHODOLOGY: DWM WARRANTS

Using the Black Scholes Option Pricing Model, CIBCWM derived a value for each DWM Warrant based on an assumed term to maturity of three years, an exercise price of \$10.00 per DWM Share, a risk-free rate of return of 5.938% (Bid Yield on Government of Canada Bond 5½% due September 2002) and a range of historical volatilities based on our sample of publicly traded comparable companies.

Using a range of between 35% and 45% per annum for historical volatility and CIBCWM range for the fair market value of each DWM Share of between \$7.50 and \$9.17, we determined that the fair market value of each DWM Warrant is in the range of between \$1.49 and \$3.08.

APPROACH AND VALUATION METHODOLOGY: DBI SHARES

CIBCWM considered a number of approaches to the valuation of the DBI Shares, including a market based approach, a comparable companies approach and a net asset value approach. The market based approach involved a review of the trading history of the DBI Shares over the twelve month period prior to the date of this report in addition to DBI's current share price:

Trading Days	Volume Weighted Price	High	Low	Total Volume Traded
On November 5, 1999	\$14.25	\$14.25	\$14.25	11,616
10 trading days on and prior to November 5, 1999	14.44	14.85	13.85	117,174
20 trading days on and prior to November 5, 1999	14.43	15.00	13.85	238,543
30 trading days on and prior to November 5, 1999	15.20	16.45	13.85	680,112
60 trading days on and prior to November 5, 1999	15.21	16.45	13.85	1,609,263
90 trading days on and prior to November 5, 1999	15.51	16.90	13.85	2,659,050
120 trading days on and prior to November 5, 1999	15.55	16.90	13.85	3,357,497
180 trading days on and prior to November 5, 1999	15.24	16.90	13.15	5,367,591
365 trading days on and prior to November 5, 1999	16.27	26.25	11.60	16,090,042

Based on this review, CIBCWM determined that the value of DBI Shares using our market based approach is in the range between \$14.25, DBI's current share price, and \$14.43, the twenty day volume weighted average trading price.

CIBCWM considered a comparable companies approach to the Valuation; however, given the diverse nature of DBI's holdings and the absence of meaningful comparable companies, concluded that this was not the most appropriate approach.

CIBCWM also valued the DBI Shares on a net asset value basis. In determining the net asset value of the DBI Shares, CIBCWM added the value of each of the DWM Shares as determined above, the Merchant Banking Portfolio and the DWM series X preferred shares issued (or to be issued) by DWM to DBI as part of the Reorganization and Post-Offer Reorganization (as described in the Circular), and subtracted DBI's debt (net of cash), the capitalized corporate overhead costs associated with DBI, and the value of any minority interests in DWM to arrive at a net asset value "NAV" per share. The approach to valuation for each of the components of value listed above, excluding the DWM Shares, is outlined below. For purposes of our NAV per DBI Share calculation, CIBCWM calculated the NAV for each of the above noted items per DBI Share based on the total number of DBI Shares outstanding pro forma the Proposed Transaction.

DWM Shares

For the purposes of our NAV per DBI Share calculation, CIBCWM recalculated the fair market value per DWM Share, based on the results of our Comparable Company Trading Analysis of \$7.50 to \$9.17 per DWM Share, to be in the range between \$15.24 and \$18.64 of DWM value for each DBI Share outstanding before deduction of Minority Interest estimated below.

Merchant Banking Portfolio

CIBCWM used recent equity market prices as an indication of value of the investments held in the Merchant Banking Portfolio. CIBCWM considered the potential for DBI to realize a premium or discount on the sale of individual investments; however, we concluded that a market based approach would result in a more meaningful assessment of the Merchant Banking Portfolio in the context of the Proposed Transaction. For the purposes of the Valuation, we used the November 5, 1999 closing prices in order to arrive at the valuation of the publicly listed securities in the Merchant Banking Portfolio. The table below is a summary of the market value of the Merchant Banking Portfolio:

	<u>Ownership %</u>	<u>Ticker Symbol</u>	<u>Share Price</u>	<u>Shares</u>	<u>Market Value</u> (\$ millions)
Equity Accounted Investments:					
Black Hawk Mining Inc.	21.1%	BHK	\$0.09	26.2	\$2.4
Breakwater Resources Ltd.	32.9%	BWR	3.08	26.9	87.8
Corona Gold Corp.	32.6%	CRG.CN	0.40	3.8	1.5
Dundee Realty Co.	31.5%	D.CN	1.23	52.3	64.3
Eurogas Corporation	44.4%	EUG	0.32	33.8	20.7
Valdez Gold Inc.	33.2%	VAZ	0.50	20.0	10.0
Zemex Corporation	33.5%	ZMX	12.15	3.0	35.9
					<u>\$222.6</u>
Marketable Securities					155.1
Other Investments					<u>84.3</u>
Total Portfolio					<u><u>\$462.0</u></u>

Based on a combination of the public market values for DBI's public portfolio investments and the carrying values for DBI's private portfolio investments, the NAV per DBI Share of the Merchant Banking Portfolio is \$17.20.

DWM Series X Preferred Shares

Pursuant to the Reorganization, DWM issued 3.65 million series X preferred shares with a face value of \$36.5 million. Further, as part of the Post-Offer Reorganization DWM will issue a further 1.65 million series X preferred shares with a face value of \$16.5 million. DWM series X preferred shares outstanding after giving effect to the Post-Offer Reorganization will be \$53.0 million or \$1.97 per DBI Share.

Debt (net of cash)

Based on the 1999 second quarter results for DBI, DBI has approximately \$84.5 million in net debt or \$3.14 per DBI Share.

Capitalization of Corporate Overhead Costs

CIBCWM calculated the value of the capitalized corporate overhead costs of DBI based on a range of TEV/EBITDA multiples between 5.0x and 6.0x, consistent with our Comparable Companies Trading Analysis, and an estimate for DBI corporate overhead costs of \$3.25 million. The range of capitalized corporate overhead costs calculated using this method is between \$16.25 and \$19.50 million or between \$0.61 and \$0.73 per DBI Share.

Minority Interest

CIBCWM calculated the value of the minority interest in DWM based on 8,040,804 DWM Shares held by external shareholders representing 14.7% of the total DWM Shares outstanding. Based on CIBCWM's estimate of the value of the DWM Shares in a range between \$7.50 and \$9.17, the value of the Minority Interest is between \$2.24 and \$2.75 per DBI Share.

Summary of NAV Calculation

CIBCWM calculated the NAV per DBI Share, as described under Valuation Methodologies, to be in a range between \$28.42 and \$31.19. The following table summarizes our NAV calculation:

	Low	High
DWM	\$15.24	\$18.64
Merchant Banking	17.20	17.20
DWM Series X Preferred Shares	1.97	1.97
	<u>\$34.41</u>	<u>\$37.81</u>
Less		
Capitalized Corporate Overheads	0.61	0.73
Debt (Net of Cash)	3.14	3.14
Minority Interest	2.24	2.75
NAV	<u>\$28.42</u>	<u>\$31.19</u>

CIBCWM compared the NAV per DBI Share to DBI's current share price of \$14.25. We observed that the implied discount to NAV was in a range between 49.8% and 54.3%, which compares to an historical discount to NAV per DBI Share, as calculated by CIBCWM on a quarterly basis over the past eighteen months, in a range between 20% and 40%. The range of implied values derived for DBI Shares, if we apply the historical discount to NAV to our calculation of the NAV per DBI Share, is between \$17.05 and \$24.95 representing a 20% to 75% premium to the current DBI Share price.

Summary of DBI Share Valuation

In view of our definition of fair market value of the DBI Shares as the value that an individual shareholder would receive in the public markets for such CIBCWM concluded that the market based approach is the more appropriate approach to the valuation of the DBI Shares, resulting in an estimated fair market value per DBI Share in a range between \$14.25 and \$14.43.

VI. VALUATION CONCLUSION

In arriving at our opinion as to the Valuation of Peelbrooke and the consideration to be received, CIBCWM has not attributed any particular weight to any specific analysis or factor, but rather has made qualitative judgements based on our experience in rendering such opinions and on circumstances then prevailing as to the significance and relevance of each analysis and factor. For the purposes of our analysis we have calculated the range of value of the consideration to be received as follows:

	Per Security			Consideration per Peelbrooke Share	
	Low	High		Low	High
DBI Shares	\$14.25	\$14.43	0.2	\$2.85	\$2.89
DWM Shares	7.50	9.17	0.3	2.25	2.75
DWM Warrants	1.49	3.08	0.3	0.45	0.92
Cash	-	-		1.50	1.50
				\$7.05	\$8.06

Based upon and subject to all of the foregoing, CIBCWM is of the opinion that, as of the date hereof, the fair market value of the Peelbrooke Shares is in the range of between \$5.78 and \$5.91 per share, and the fair market value of all of the consideration to be received by Peelbrooke shareholders is in the range of \$7.05 and \$8.06 per Peelbrooke Share.

VII. CONCLUSION AS TO FAIRNESS

We have been requested by the Special Committee to provide our opinion as to the fairness, from a financial point of view, of the Proposed Transaction to the Peelbrooke Shareholders (other than to the Offerors and their affiliates) in context of the transaction as a whole. In assessing the fairness of the Proposed Transaction, CIBCWM considered a number of factors including: the premium of the consideration to be received by Peelbrooke shareholders to our valuation of the Peelbrooke Shares; and the premium of the consideration to be received by Peelbrooke shareholders to the market price of the Peelbrooke Shares at the time the Proposed Transaction was announced.

Based on the Valuation, and subject to all of the foregoing, it is our opinion that the Proposed Transaction is fair, from a financial point of view, to the Peelbrooke Shareholders (other than the Offerors and their affiliates).

Yours very truly,

CIBC World Markets Inc.

CIBC World Markets Inc.

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